

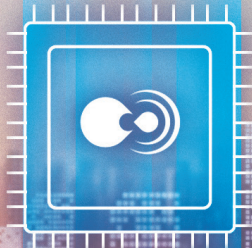
Black Sesame International
Holding Limited

黑芝麻智能國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2533

GLOBAL
OFFERING



Joint Sponsors, Joint Overall Coordinators, Joint Sponsor-Overall Coordinators,
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Overall Coordinator, Joint Global Coordinator and Joint Bookrunner



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners



Joint Lead Manager



* For identification purposes only

IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.



Black Sesame International Holding Limited 黑芝麻智能國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 37,000,000 Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 1,850,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of International Offer Shares	: 35,150,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Maximum Offer Price	: HK\$30.30 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565% (payable in full on application, subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 2533

Joint Sponsors, Joint Overall Coordinators, Joint Sponsor-Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Overall Coordinator, Joint Global Coordinator and Joint Bookrunner



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners



Joint Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other document referred to above. The Offer Price is expected to be fixed by agreement between the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, August 6, 2024 (Hong Kong time) and, in any event, not later than 12:00 noon on Tuesday, August 6, 2024 (Hong Kong time). The Offer Price will be not more than HK\$30.30 and is currently expected to be not less than HK\$28.00 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Tuesday, August 6, 2024 (Hong Kong time) between the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors" in this Prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – The Hong Kong Public Offering – Grounds for Termination" of this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act. The Offer Shares may be offered and sold only outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

Our Company is a Specialist Technology Company (as defined in Chapter 18C of the Listing Rules). The securities of Specialist Technology Companies carry high investment risks including risks of share price volatility and inflated valuation due to the difficulty in valuing such companies. Investors should fully understand the investment risks of a Specialist Technology Company and the risks disclosed by our Company before making their investment decisions.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.blacksesame.com.cn. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

* For identification purposes only

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. The Company will not provide any printed copies of this Prospectus to the public.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.blacksesame.com.cn. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through **the HKSCC EIPO channel** to electronically cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** through HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

	Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>		Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>		Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>		Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>
No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for	No. of Hong Kong Offer Shares applied for
100	3,060.55	2,500	76,513.94	30,000	918,167.26	600,000	18,363,345.30
200	6,121.11	3,000	91,816.73	40,000	1,224,223.02	700,000	21,423,902.86
300	9,181.67	3,500	107,119.51	50,000	1,530,278.78	800,000	24,484,460.40
400	12,242.23	4,000	122,422.30	60,000	1,836,334.54	925,000 ⁽¹⁾	28,310,157.33
500	15,302.79	4,500	137,725.08	70,000	2,142,390.29		
600	18,363.35	5,000	153,027.88	80,000	2,448,446.05		
700	21,423.90	6,000	183,633.45	90,000	2,754,501.80		
800	24,484.46	7,000	214,239.03	100,000	3,060,557.56		
900	27,545.02	8,000	244,844.60	200,000	6,121,115.10		
1,000	30,605.58	9,000	275,450.18	300,000	9,181,672.66		
1,500	45,908.37	10,000	306,055.75	400,000	12,242,230.20		
2,000	61,211.15	20,000	612,111.51	500,000	15,302,787.76		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.blacksesame.com.cn.

Hong Kong Public Offering commences9:00 a.m. on Wednesday,
July 31, 2024

Latest time for completing electronic applications
under the **HK eIPO White Form** service through
one of the below ways:⁽²⁾11:30 a.m. on Monday,
August 5, 2024

(1) the **IPO App**, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp

(2) the designated website at www.hkeipo.hk

Application lists for the Hong Kong Public
Offering open⁽³⁾11:45 a.m. on Monday,
August 5, 2024

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC⁽⁴⁾12:00 noon on Monday,
August 5, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** through HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close⁽³⁾12:00 noon on Monday,
August 5, 2024

Expected Price Determination Date⁽⁵⁾Tuesday, August 6, 2024

(1) Announcement of:

- the Offer Price;
- an indications of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

EXPECTED TIMETABLE⁽¹⁾

to be published on our website at www.blacksesame.com.cn
and the website of the Stock Exchange at
www.hkexnews.hk on or before 11:00 p.m. on
Wednesday,
August 7, 2024

(2) Announcement of results of allocations in the Hong Kong
Public Offering to be available through a variety of channels
as described in “How to apply for Hong Kong
Offer Shares – B. Publication of Results” from 11:00 p.m. on
Wednesday,
August 7, 2024

(3) Announcement of the Hong Kong Public Offering containing
(1) and (2) above to be published on the websites of
the Company and the Stock Exchange at
www.blacksesame.com.cn⁽⁶⁾ and www.hkexnews.hk from 11:00 p.m. on
Wednesday,
August 7, 2024

Results of allocation for the Hong Kong Public Offering
will be available at “IPO Results” function in the
IPO App or www.hkeipo.hk/IPOResult
(or www.tricor.com.hk/ipo/result) with a
“search by ID” function from 11:00 p.m. on
Wednesday,
August 7, 2024

Dispatch of Share certificates or deposit of Share certificates
into CCASS in respect of wholly or partially successful
applications pursuant to the Hong Kong Public Offering
on or before⁽⁷⁾ Wednesday,
August 7, 2024

Dispatch of **HK eIPO White Form** e-Auto Refund payment
instructions/refund checks on or before⁽⁸⁾. Thursday,
August 8, 2024

Dealings in the Shares on the Stock Exchange expected
to commence at 9:00 a.m. on Thursday,
August 8, 2024

- (1) All dates and times refer to Hong Kong local times and dates, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (3) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, August 5, 2024, the application lists will not open and close on that day. See “How to Apply for Hong Kong Offer Shares – E. Severe weather arrangements.”
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC through HKSCC’s FINI system should refer to section headed “How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 2. Application Channels.”
- (5) The Price Determination Date is expected to be on or about Tuesday, August 6, 2024 and, in any event, not later than 12:00 noon on Tuesday, August 6, 2024, or such other date as agreed among the parties. If, for any reason, the Offer Price is not agreed by 12:00 noon on Tuesday, August 6, 2024, or such other date as agreed among the parties, between the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the website forms part of this Prospectus.
- (7) The Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be Thursday, August 8, 2024, **provided that** the Global Offering has become unconditional in all respects and none of the Underwriting Agreements have been terminated in accordance with its terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of the Share certificates and prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting” and “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details relating to the Structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares, and expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share Certificates.

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IMPORTANT NOTICE TO INVESTORS

We have issued this Prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this Prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole Prospectus before you decide to invest in the Offer Shares. In particular, we are a specialist technology company seeking to list on the Main Board of the Hong Kong Stock Exchange under Chapter 18C of the Listing Rules because we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours. In addition, we have incurred operating loss since our inception, and we may incur adjusted net loss (non-IFRS measure) and operating loss for the foreseeable future. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and may not pay any dividends in the foreseeable future. Your investment decision should be made in light of these considerations.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

We are an automotive-grade computing SoC¹ and SoC-based intelligent vehicle solution provider. SoC is an integrated circuit that integrates key electronic components including central processing units, memories, I/O interfaces and others. Automotive-grade computing SoCs empower intelligent vehicles with mission-critical capabilities. SoC-based intelligent vehicle solutions integrate SoCs embedded with our in-house developed IP cores² of ISP³ and NPU⁴, algorithms and support software of middleware and toolchain to meet broad customer needs. We have designed two series of automotive-grade SoCs, the Huashan Series high-computing power SoCs and the Wudang Series cross-domain SoCs. We started with and commercialized the Huashan Series high-computing power SoCs focusing on autonomous driving applications and recently introduced the Wudang Series cross-domain SoCs to expand from the core autonomous driving functions to cover more diverse and sophisticated demands for advanced functionalities of intelligent vehicles such as smart cockpit and automotive gateway, all achieved on a single SoC. Operating in the midstream of autonomous driving value chain as a Tier 2⁵ supplier, we provide autonomous driving products and solutions in the form of bundled SoC-based solutions and algorithm-based solutions. In terms of shipment of automotive-grade high-computing power SoCs in 2023, we are the third largest provider globally, according to Frost & Sullivan⁶.

Autonomous driving systems are a complex integral part of vehicles, so, automotive OEMs⁷ tend to adopt and stick with a few technology platforms for vehicle models at the same automation level. This improves efficiency and avoids high switching costs, resulting in automotive OEMs and Tier 1 suppliers⁸ forming long-term anchored partnerships with selected

SUMMARY

Tier 2 suppliers of autonomous driving SoC. Currently, most passenger vehicles are at automation levels up to L2+⁹, both in China and globally. This is expected to remain so for the next few years due to technological, regulatory, safety, cost and social challenges, according to Frost & Sullivan. We strategically prioritize L2 to L3 products at this stage, recognizing that product-market fit is crucial for commercial success. Based on our outstanding products and customer recognition:

- We had design wins for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers, as of the Latest Practicable Date.
- We started mass-production of Huashan A1000/A1000L SoCs in 2022. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024.
- We announced our Wudang Series cross-domain SoCs in April 2023, the first in the industry to integrate autonomous driving, smart cockpit, body control and other computational domains, according to Frost & Sullivan.
- Our customer base grew from 45 in 2021 to 85 in 2023. We had 21 customers in the three months ended March 31, 2024. We had partnered with over 49 automotive OEMs and Tier 1 suppliers such as FAW Group, Dongfeng, JAC, HYCAN, ECARX, Baidu, Bosch, ZF Group and Marelli as of the Latest Practicable Date.

Notes:

- 1 SoC, system-on-chips, an integrated circuit that integrates most or all components of a computer or other electronic system
- 2 IP core, a reusable unit of logic, cell, or integrated circuit layout design that is the intellectual property of one party
- 3 ISP, image signal processor, a type of media processor or specialized digital signal processor used for image processing
- 4 NPU, neural processing unit, a microprocessor that specializes in the acceleration of machine learning algorithms
- 5 Tier 2 suppliers, companies in the automotive industry that supply parts or systems directly to Tier 1 suppliers, which in turn directly supply to automotive OEMs
- 6 According to Frost & Sullivan, it is a common practice in the autonomous driving industry and the automotive industry to use product shipment volume in units as an indicator to evaluate, compare and rank the market positions of SoC providers. The number of shipment volume usually reflects the acceptance and popularity of SoC provider's products and further implies the product performance and quality of a certain provider, according to the same source.
- 7 automotive OEM, the original equipment manufacturer which assembles and installs automotive parts during the construction of a new vehicle
- 8 Tier 1 suppliers, companies that supply parts or systems directly to automotive OEMs
- 9 Based on the extent of human intervention and scope of the driving scenarios, autonomous driving is classified by levels ranging from L0 to L5. Systems enabling L1 to L2 (including L2+) automation is commonly known as advanced driving assistance system (ADAS), while systems supporting L3 to L5 automation is known as automated driving system (ADS)

SUMMARY

We grew significantly during the Track Record Period. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, our revenue was RMB60.5 million, RMB165.4 million, RMB312.4 million, RMB29.3 million and RMB27.5 million, respectively. With mass production of our SoCs and continued iteration and advancement of our solutions, we expect to capture the vast market opportunities in the foreseeable future.

The table below sets forth our revenue breakdown by products and solutions in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving products and solutions	34,261	56.6	142,282	86.0	276,318	88.5	22,666	77.5	23,581	85.8
– SoC-based solutions	1,615	2.6	85,377	51.6	193,613	62.0	10,553	36.1	16,235	59.1
– Algorithm-based solutions	32,646	54.0	56,905	34.4	82,705	26.5	12,113	41.4	7,346	26.7
Intelligent imaging solutions	26,243	43.4	23,160	14.0	36,073	11.5	6,590	22.5	3,892	14.2
Total	<u>60,504</u>	<u>100.0</u>	<u>165,442</u>	<u>100.0</u>	<u>312,391</u>	<u>100.0</u>	<u>29,256</u>	<u>100.0</u>	<u>27,473</u>	<u>100.0</u>

In the second quarter of 2023 and 2024, the value of orders we fulfilled was RMB77.2 million and RMB153.6 million, respectively. The table below sets forth the breakdown of our order backlog value by products and solutions as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31, 2024	June 30, 2024
	<i>(RMB in millions)</i>				
Autonomous driving Products and solutions	3.7	44.9	76.4	23.5	160.6
– SoC-based solutions	–	36.1	68.3	19.3	149.6
– Algorithm-based solutions	3.7	8.8	8.1	4.2	11.0
Intelligent imaging solutions	–	3.7	1.3	1.6	0.3
Total	<u>3.7</u>	<u>48.6</u>	<u>77.7</u>	<u>25.1</u>	<u>160.9</u>

SUMMARY

The table below sets forth key metrics of our autonomous driving products and solutions and intelligent imaging solutions in terms of customer development and retention, which is our primary focus at the early commercialization stage (investors are advised to measure our overall performance based on not only net dollar retention rate, but also all operating data, each of which should be considered as carrying the same weight):

	Year ended December 31,				Three months ended March 31,						
	2021		2022		2023		2024				
	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions			
Number of customers	15 ⁽³⁾	6 ⁽³⁾	25 ⁽³⁾	7	20	61 ⁽⁴⁾	9 ⁽⁴⁾	16	15	2	4
Number of new customers	15	4	18	5	9	38	7	4	6	0	0
Customer retention rate ⁽¹⁾	0%	50%	32%	33%	44%	37%	29%	60%	15%	22%	25%
Net dollar retention rate ⁽²⁾	0%	74%	118%	51%	68%	131%	15%	145%	19%	90%	71%

Notes:

- (1) Customer retention rate equals the number of customers that contributed to our revenue for both the current and previous periods divided by the number of customers of the previous period and multiplied by 100%.
- (2) Net dollar retention rate equals the revenue of a current period from customers that contributed to our revenue for both the current and previous periods divided by the revenue of the previous period and multiplied by 100%.
- (3) There was one overlapping customer of autonomous driving products and solutions business and intelligent imaging solutions business in 2021.
- (4) There was one overlapping customer of SoC-based solutions and algorithm-based solutions in 2023.

SUMMARY

In 2021, 2022, 2023 and the three months ended March 31, 2024, the customer value from our key SoC-based solution customers (accounting for 80% of our revenue from SoC-based solutions) ranged from RMB0.1 million to RMB0.2 million, RMB2.6 million to RMB43.8 million, RMB9.6 million to RMB35.0 million and RMB3.3 million to RMB13.1 million, respectively.

OUR OFFERINGS

During the Track Record Period, we engaged in the sales of autonomous driving products and solutions and intelligent imaging solutions, both of which are designated Specialist Technology Products as defined under Chapter 18C of the Listing Rules. We have adopted a transaction-based model for our autonomous driving products and solutions and intelligent imaging solutions. Our primary focus lies in the design, development, and implementation of intelligent vehicle SoC technology, as well as the provision of autonomous driving solutions across various automotive automation tiers. We do not provide SoCs as standalone hardware, but integrate them with other hardware, software, comprehensive technical support and services, such as MCUs, basic software, middleware, algorithms and toolkits to offer our customers bundled solutions. Capitalizing on our extensive knowledge and technical expertise in the realm of intelligent vehicle SoCs, especially autonomous driving SoCs and related IPs, we have managed to commercialize our products and solutions effectively. We offer a comprehensive suite of services, including IPs, chips, autonomous driving solutions and vehicle-to-everything solutions. Our open platform allows for software and hardware decoupling, providing automakers the freedom to select from our diverse range of offerings and enabling swift local adaptation and implementation.

The table below sets out a summary for how each of our autonomous driving products and solutions and intelligent imaging solutions falls within acceptable sectors of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules:

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors:	Main Function Analysis	Major Customer Type ¹ and Customer Demand Driver	Pricing and Payment
Autonomous Driving Products and Solutions	<p>(i) Semiconductors (Design: logic and physical design, and validation and verification); and</p> <p>(ii) Electric and autonomous vehicles (Development of enabling technologies for autonomous vehicles).</p>	<p>Why semiconductors (design): We develop advanced SoCs that are integrated with autonomous driving system and algorithms and applied to intelligent vehicles. SoCs are integrated circuit that integrates most or all components of a computer or other electronic system. We are engaged in semiconductor design, covering the entire logic and physical design, and validation and verification process. The semiconductors designed by us are computing SoCs for electric and autonomous vehicles, achieving similar functions as CPUs for personal computers.</p> <p>Why electric and autonomous vehicles (development of enabling technologies): Substantively, SoCs serve as the central computing units for carrying out and realization of autonomous driving functions. On top of the high computing power provided by the SoCs, our SoCs are also imbedded with our proprietary ISP and NPU modules, with ISP responsible for reception of camera inputs and optimization of video quality, and NPU responsible for accelerated inference of AI algorithms for computer vision (such as machine learning, deep learning, facial identification, dynamic range control and de-noising), improving computational efficiency. In addition to our SoC offerings, we have developed a suite of hardware platforms and autonomous driving solutions to fully leverage the potential of automotive-grade SoCs. These solutions support autonomous driving functions across intelligent driving, systems, safety systems and V2X solutions, and are designed for rapid deployment. Our solutions could be SoC-based or algorithm-based, with SoC-based solutions bundled with our proprietary SoCs (together with third-party MCUs), and algorithm-based solutions carrying only third-party MCUs (with our algorithm embedded). Both SoC-based solutions and algorithm-based solutions support key autonomous driving functions of electric and autonomous vehicles. While our SoC hardware provides the high computing power necessary for autonomous driving functions, our algorithms provide software support to actually conduct the decision-making process through digestion of data inputs and generation of computational results. Therefore, on top of our algorithm-based solutions facilitating basic autonomous driving applications such as FCW (forward collision warning), LDW (lane departure warning), HNW (headway monitoring warning) and CMS (collision mitigation brake system), SoC-based solutions incorporate our SoCs and include both software and hardware components, providing more powerful computing and enabling more comprehensive functions. Our in-house developed technologies provide a robust perception and fusion capability for autonomous driving, a critical component in enabling intelligent vehicles to perceive and understand their surroundings and make appropriate decisions.</p>	<p>Major customer type: For autonomous driving products and solutions, our customers are primarily passenger and commercial vehicle OEMs and their Tier 1 suppliers.</p> <p>Main drivers for customer demand: The demand for intelligent vehicle SoCs stems from their high computing power, which is necessary to process a significant volume of low-latency data and high-resolution images and videos generated by the sensors in intelligent vehicles. In addition, automotive OEMs and Tier 1 suppliers are looking for products and solutions that could meet their various demands in one cross-domain SoC or solution, facilitating their smooth transition to intelligent vehicles. SoCs integrate comprehensive software and hardware stack to carry out complex tasks required to achieve autonomous driving and play a critical role in intelligent vehicles, akin to the “new engines” of vehicles. We do not provide SoCs as standalone hardware, but integrate them with other hardware, software, comprehensive technical support and services, such as MCUs, basic software, middleware, algorithms and toolkits to offer our customers bundled solutions. The specific solutions provided to certain customers eventually depend on such customers’ own demand. In some cases, customers request comprehensive solutions so that they can enjoy easy-to-use plug-and-play services; while in some other cases, customers are more interested in the automotive functions supported by the computing power provided by the SoCs and would like to develop capabilities on top of that by their own.</p>	<p>When determining price for our autonomous driving products and solutions, we adopt tiered pricing based on procurement amount and relationship with specific customers, taking into consideration base factors such as the cost incurred and the pricing of major competitors. Pricing for SoC-based solutions mainly depends on the comprehensiveness of solutions provided, affected by factors such as the maximum number of sensors supported by SoCs and the complexity of algorithms provided, while pricing for algorithm-based solutions mainly depends on the complexity of functionality, R&D cycle and personnel involved, resulting in varied prices for different customers. Therefore, we price our solutions on a whole package basis and not only based on costs incurred for the SoC hardware.</p> <p>For supply of SoCs and autonomous driving solutions, customers are generally required to pay the purchase price upon acceptance of our products or services.</p> <p>For collaboration arrangements with automotive OEMs or Tier 1 suppliers to design or tailor intelligent vehicle SoCs or autonomous driving solutions for factory-installation on required vehicle models, customers are typically required to make installment payments according to prescribed development or production milestones.</p> <p>See “Business – Customers” for more details.</p>

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors:	Main Function Analysis	Major Customer Type ¹ and Customer Demand Driver	Pricing and Payment
Intelligent Imaging Solutions	<p>(i) Artificial intelligence (AI-empowered algorithm programming; image recognition and machine learning); and</p> <p>(ii) Artificial intelligence (AI solutions: the design and provision of AI solutions used in different industry verticals).</p>	<p>Why artificial intelligence (AI-empowered algorithm programming and AI solutions): Autonomous driving solutions encompass a broad range of perception and analysis functions based on image and video information. Empowered by proprietary AI algorithms developed for our autonomous driving solutions and tested in complex driving scenarios, we provide customers with advanced AI imaging algorithms and solutions. Our intelligent imaging solutions offer full-spectrum, mainstream image-enhancement optimization, which involves the analyzing, understanding, and improving of images, accomplished by AI methods such as machine learning and deep learning. According to Frost & Sullivan, our solutions leverage machine learning models and learn patterns from training data and enhance the image quality, enrich information, and strengthen image interpretation and recognition, achieving a series of functions including single-camera bokeh effect, light portrait beautification, facial identification, high dynamic range imaging and 3D depth effects. Moreover, our solutions, benefiting from our automotive-grade imaging capabilities, support parallel access to multicamera imaging systems. They can simultaneously process vast quantities of video and image content, which is particularly useful in complex environments with multiple moving subjects.</p>	<p>Major customer type: For intelligent imaging solutions, our customers are primarily high-end consumer electronics manufacturers and intelligent electronics providers.</p> <p>Main driver for customer demand: Customers have the need to ramp up their products' imaging processing capabilities and deliver stronger performance. Our intelligent imaging solutions empower a broad range of devices of customers to facilitate intelligent perception and content enhancement through algorithms.</p>	<p>We mainly (i) license self-developed software and algorithms to customers from whom we charge licensing fees; and (ii) sell products with our proprietary algorithms embedded, and customers are generally required to pay the purchase price upon delivery.</p> <p>See "Business – Our products and Solutions – Intelligent Imaging Solutions" for more details.</p>

Note 1: The type of customers of autonomous driving products and solutions barely overlap with customers of intelligent imaging solutions. There was only one overlapping customer of autonomous driving products and solutions business and intelligent imaging solutions business in 2021. See "Business – Our Products and Solutions – Key Operating Data."

SUMMARY

We focus on developing automotive-grade SoCs:

Huashan Series

- **A1000.** We launched A1000 in June 2020 with mass-production in 2022. A1000 offers 58 TOPS¹⁰ computing power on INT8¹¹. It is the first high-computing power autonomous driving SoC with proprietary IP cores developed and launched in China and the first SoC for L2+ and L3 with ASIL-B and AEC-Q100 Grade 2 certification in China, according to Frost & Sullivan.
- **A1000L.** A1000L was also launched in June 2020 and mass-produced in 2022, designed for L2 and L2+ autonomous driving and is ASIL-B and AEC-Q100 Grade 2 certified. A1000L offers 16 TOPS computing power on INT8.
- **A1000 Pro.** We launched A1000 Pro in April 2021 for L3 autonomous driving. A1000 Pro offers 106+ TOPS computing power on INT8. Being the first autonomous driving SoC with over 100 TOPS computing power developed and launched in China, it offers the highest computing power on INT8 among its peers in China, according to Frost & Sullivan.

In addition, targeting L3 and beyond, we are in the process of developing A2000 with a designed computing power of 250+ TOPS, one of the highest in the world among automotive-grade SoCs, according to Frost & Sullivan. SoCs with designed computing power of 250+ TOPS gained positive feedback from multiple automotive OEMs, and we believe we are able to seize the market opportunities through launch of A2000.

Wudang Series

- **C1200.** We announced C1200 in April 2023, a cross-domain SoC that integrates autonomous driving, smart cockpit and other computational functionalities, providing an innovative and cost-effective computing solution for intelligent vehicles. We have successfully completed the tape-out of C1200 and begun providing prototypes to potential customers. We are in the process of negotiation with renowned automotive OEMs for further collaboration.

In addition to our proprietary SoCs, we also offer autonomous driving support software to enable customization by customers in developing and deploying their applications on the SoCs:

Software

- **Operating System Support.** Our self-developed drivers and operating systems for SoCs offer comprehensive compatibility with various applications in intelligent vehicles.

SUMMARY

- ***Hanhai ADSP Middleware.*** This platform assists customers in rapidly migrating and deploying applications, and is widely applicable to autonomous driving and vehicle-to-everything application scenarios.
- ***Perception Algorithms.*** Our advanced neural network visual perception algorithms fundamentally enhance image processing capabilities for autonomous driving.

We started offering autonomous driving solutions in 2020 and were one of the earliest in China that generated revenue from the sales of autonomous driving solutions, according to Frost & Sullivan.

- We offer an integrated closed-loop autonomous driving solution pack, BEST Drive, comprising Drive Eye for L1 and L2 support, Drive Sensing for L2+ autonomous driving, Drive Brain for L3 domain control and Drive Turing for next-generation central computing.
- Our self-developed add-on adaptive safety system, Patronus, provides reliable adaptive safety support with innovative system design, offering cost-efficient solutions for commercial vehicle OEMs and Tier 1 suppliers.
- Our V2X edge computing solution, BEST Road, targets the emerging road-side autonomous driving solution market which has been rapidly developing along with the growing prevalence of intelligent new energy vehicles.
- Based on Huashan series SoCs, we have developed FAD platform to provide flexible development and testing services to our trial customers, and Huashan-SOM to enable our clients to swiftly develop their products for end customers based on varying application scenarios.

Drawing from our proprietary IP algorithms accumulated in providing imaging solutions, we offer intelligent imaging solutions that empower a broad range of devices to facilitate intelligent perception and content enhancement through algorithms. Our comprehensive offerings include embedding our proprietary IP algorithms into sensors and ISP chips. These components are compatible with most devices.

We are dedicated to accelerating the commercialization of autonomous driving products and solutions and contributing to the autonomous driving value chain. We started offering autonomous driving solutions in 2020, and was one of the earliest among industry peers in China to generate revenue from such business, according to Frost & Sullivan. We started mass-production of Huashan A1000/A1000L SoCs in 2022. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024. We have adopted a transaction-based model for our autonomous driving products and solutions and intelligent imaging solutions.

SUMMARY

Notes:

- 10 TOPS, tera operations per second, a measurement of the overall performance of a supercomputer or a high-end circuit board containing multiple processors or SoCs
- 11 INT8, a data type in computer science often used as the computational precision to test the computing power of chips

We pioneered the development and global commercialization of autonomous driving technologies and solutions. In 2020, we launched our intelligent driving solution BEST Drive, and our add-on adaptive safety system, Patronus. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, our revenue was RMB60.5 million, RMB165.4 million, RMB312.4 million, RMB29.3 million and RMB27.5 million, respectively. The following chart illustrates the timeline of our commercialization of autonomous driving solutions, reflecting our sustained commitment to commercial application of advanced technologies:

	Intelligent Imaging Solutions	ADAS & Autonomous Driving Solutions	Add-on Adaptive Safety System	FAD Computing Platform	V2X Edge Computing Solutions	Huashan-SOM Core Computing Cards
Start of Revenue Generation	August 2018	November 2020	November 2020	December 2020	May 2022	March 2023

The following chart illustrates the timeline of our introduction of Huashan and Wudang Series SoCs and their specifications (if launched already), reflecting our continuous application of advanced technologies:

SoCs	Huashan A1000	Huashan A1000L	Huashan A1000 Pro	Wudang C1200	Huashan A2000
Launch	June 2020	June 2020	April 2021	November 2023	Expected in 2024
Start of Revenue Generation	August 2021	October 2021	June 2023	Expected in 2024	Expected in 2025
Mass Production	2022	2022	Expected in 2024 ⁶	Expected in 2025	Expected in 2026
Process node¹	16nm	16nm	16nm	7nm	7nm
Computing power (INT8, TOPS)²	58	16	106+	N/A ⁸	N/A ¹⁰
Power Consumption	18W	15W	25W	10W ⁹	N/A ¹⁰
Camera channel number³	16	8	20	12	N/A ¹⁰
ASIL⁴	ASIL-B	ASIL-B	N/A	N/A	N/A ¹⁰
AEC-Q100⁵	AEC-Q100 Grade 2	AEC-Q100 Grade 2	AEC Q100 Grade 2 ⁷	N/A	N/A ¹⁰
Number of CPU cores	11	11	11	10	N/A ¹⁰

SUMMARY

Notes:

- 1 Process node refers to a specific semiconductor manufacturing process and its design rules. Different nodes often imply different circuit generations and architectures.
- 2 Computing power refers to the amount of information data that can be processed by the chip per second, calculated under INT8 by TOPS
- 3 The maximum number of cameras that the chip can support
- 4 Automotive Safety Integrity Level, a risk classification scheme defined by the ISO 26262. There are four ASILs identified by the standard: ASIL A, ASIL B, ASIL C, ASIL D. ASIL D dictates the highest integrity requirements on the product and ASIL A the lowest
- 5 AEC documents are established by the Automotive Electronics Council Component Technical Committee to define common electrical component qualification requirements. AEC-Q100 defines the failure mechanism based stress test qualification for integrated circuits. There are four temperature ranges defined under Grade 0,1,2 and 3 in AEC-Q100. These ranges depend upon the operating temperature range. Grade 0 dictates the largest temperature range.
- 6 Subject to confirmation of customer order
- 7 In progress and completed certain accelerated environment stress tests
- 8 Pending further verification
- 9 Measured based on prototype
- 10 Currently at the architecture design and development stage

Our industry consultant, Frost & Sullivan, confirms and our Directors are of the view that based on the information above, each of our autonomous driving products and solutions and intelligent imaging solutions fall within an acceptable sector of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules.

Based on the following analysis and the view of the Directors and Frost & Sullivan, the Joint Sponsors are of the view that each of our autonomous driving products and solutions and intelligent imaging solutions fall within an acceptable sector of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules:

- (1) We engage in semiconductor design, covering the entire logic and physical design, and validation and verification process. The semiconductors designed by us are computing SoCs for electric and autonomous vehicles. The advanced SoCs developed by us are imbedded with our in-house developed IP cores, namely ISP and NPU modules, with ISP responsible for reception of camera inputs and optimization of video quality, and NPU responsible for accelerated inference of AI algorithms for computer vision (such as machine learning, deep learning, facial identification, dynamic range control and de-noising), improving computational efficiency. The computing SoCs designed by us imbedded with its in-house developed technologies enable intelligent vehicles to perceive and understand their surroundings and make appropriate decisions so as to realize autonomous driving functions.

SUMMARY

- (2) The Intelligent Imaging solutions offered by us are empowered by its proprietary AI imaging algorithms. The algorithms are developed through extensive machine learning and deep learning to improve its capability of image-enhancement optimization. Based on the review of the application scenarios of intelligent imaging solutions and interviews with our customers, our intelligent imaging solutions enable its customers to enhance the image quality, enrich information, and strengthen image interpretation and recognition, achieving a series of functions including single-camera bokeh effect, light portrait beautification, facial identification, high dynamic range imaging and 3D depth effects. According to Frost & Sullivan, our AI algorithms support the analysis, understanding and improvement of visual signals through AI models that learn patterns from training data and then apply such learned patterns, thereby achieving the goals of image enhancement. Compared with traditional image processing technologies, our AI algorithms achieve better performance in enhancing the image and video quality under various conditions. Moreover, our AI imaging solutions support parallel access to multicamera imaging systems. In other words, they can simultaneously process vast quantities of video and image content, which can be used in complex environments with multiple moving subjects. Based on above, we develop AI-empowered algorithm programming relating to image recognition and provides AI imaging solutions that can be used in different verticals.

With our primary focus on the design, development, and implementation of intelligent vehicle SoC technology, we operate on a fabless basis and we do not maintain manufacturing facilities or develop manufacturing capacity by ourselves. We currently engage TSMC to manufacture all of our SoCs. We purchase raw materials and services from TSMC primarily through our import agent Shanghai International Science and Technology Corp., Ltd during the Track Record Period.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success:

- Commitment to Intelligent Vehicle SoCs with Expertise
- Proprietary Critical Technology from Purpose-Driven R&D
- Customer-centric Product Portfolio
- A User-friendly Open Platform for Customization and Re-development
- Broad Partners and Customer Base across the Industry Value Chain
- A Team of Veterans Combining Cross-sector and Market Expertise

SUMMARY

OUR STRATEGIES

We will focus on the following key strategies to achieve our mission:

- Continue to Develop Intelligent Vehicle SoCs for Broader In-vehicle Computational Scenarios
- Further Enhance Our Open Ecosystem
- Further Develop and Commercialize Our Solutions and Technologies
- Extend Our Reach Globally

RESEARCH AND DEVELOPMENT

Our ability to develop new technologies, design new products and solutions, and enhance existing products and solutions is critical for maintaining our market position.

Our R&D team consists of dedicated talents with profound industry expertise, focusing on developing and commercializing our products and solutions which help maintain our technological advantages and market competitiveness. Each of our core R&D team members has more than 15 years of experience in engineering, with domestic or overseas working experience in reputable technology companies, such as Bosch, OmniVision, Qualcomm and ZTE. As of March 31, 2024, our R&D team consisted of 908 members, 63.7% of which held a master's degree or above. Our R&D team represented 86.3% of total employees as of the same date. We incurred R&D expenses of RMB595.4 million, RMB764.1 million, RMB1,362.5 million, RMB266.5 million and RMB339.4 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, constituting 78.7%, 69.4%, 74.0%, 69.2% and 76.0% of our total operating expenditure for the respective periods.

We engaged in R&D of Huashan A1000 and A1000L SoCs from 2019 to August 2022, and R&D of Huashan A1000 Pro SoCs from June 2020 to June 2022, respectively. We started R&D of our A2000 SoCs from September 2022 and expect to announce the product in 2024. For details of our research projects, see “Business – Research and Development – Key Research Projects.”

We have tailored standardized R&D processes for different products and solutions such as intelligent vehicle SoCs, autonomous driving solutions and intelligent imaging solutions. For details of our R&D process, see “Business – Research and Development – R&D Process.”

SUMMARY

INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property rights and proprietary protections for commercially important technologies, inventions and knowhow related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not have any instances of infringement of third parties' intellectual property rights.

As of the Latest Practicable Date, we owned 58 registered patents in China and 75 registered patents in the United States, and 120 patent applications in China and 43 patent applications in the United States. As of the same date, we had two integrated circuit layout design registrations, 102 software copyrights in China, two software copyrights in the United States and 176 registered trademarks globally. See “Business – Intellectual Property Rights” for details of our material intellectual property rights.

We acquire patents through self-development. As of the Latest Practicable Date, we owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

CUSTOMERS AND SUPPLIERS

Our major customers are automotive OEMs and Tier 1 suppliers. Revenue generated from our largest customer in each year or period during the Track Record Period accounted for 40.7%, 43.5%, 15.2% and 47.7%, respectively, of our revenue for the respective year or period. Revenue generated from our five largest customers in each year or period during the Track Record Period accounted for 77.7%, 75.4%, 47.7% and 96.6%, respectively, of our revenue for the respective year or period.

Our major suppliers are tapeout and technical services, IP core and hardware components providers. Charges from our largest supplier in each year or period during the Track Record Period accounted for 28.7%, 18.1%, 10.8% and 16.7%, respectively, of our total purchase amount for the respective year or period. Charges from our five largest suppliers in each year or period during the Track Record Period accounted for 68.2%, 50.9%, 43.4% and 58.8%, respectively, of our total purchase amount for the respective year or period.

COMPETITIVE LANDSCAPE

The automotive-grade SoC and solution industries in which we operate are highly competitive. According to Frost & Sullivan, the global automotive-grade SoC market is expected to grow from RMB57.9 billion in 2023 to RMB205.3 billion in 2028, with a CAGR of 28.8% during the period. According to the same source, the global market size for SoC-based solutions for intelligent roads is expected to reach approximately RMB15.2 billion in 2026 and further to RMB39.8 billion in 2030.

SUMMARY

We mainly compete with three major types of autonomous driving SoC providers in the autonomous driving SoC market, namely specific autonomous driving SoC providers, general chip providers and automotive OEM self-developers.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

For details, see “Industry Overview,” “Business – Competition,” “Business – Who We Are – Fast Growing Market” and “Risk Factors – Risks Relating to Our General Operations – The industries that we operate in are highly competitive. If we fail to compete with our competitors, our business, results of operations and financial condition may be materially and adversely affected.”

RISK FACTORS

We are a specialist technology company seeking to list on the Main Board of the Stock Exchange under Chapter 18C of the Listing Rules. We are in the early stage of commercialization, with our SoCs going into mass production only in 2022. In addition, we have recorded operating loss since our inception, and expect to continue incurring adjusted net loss (non-IFRS measure) and operating loss for the years ending December 31, 2024 and 2025, respectively. We believe there are certain risks and uncertainties involved in the investing in our Shares, some of which are beyond our control. If any of such risks and uncertainties materializes, the market price of our Shares could decline, and you may lose all or part of your investments. See “Risk Factors” for details of our risk factors, which we urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- If we are unable to develop and introduce new products and solutions, our future business, results of operations, financial condition and competitive position would be materially and adversely affected.
- We have been and intend to continue investing significantly in R&D, which may adversely impact our profitability and operating cash flow and may not generate the results we expect to achieve.
- We may not be able to obtain or maintain adequate intellectual property rights protection for our product and solution candidates, or the scope of such intellectual property rights protection may not be sufficiently broad.
- We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Our patent rights relating to our products and solutions could be found invalid or unenforceable if being challenged in court or before the CNIPA intellectual property agencies in other jurisdictions.

SUMMARY

- If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the products or solutions involved.
- We have a limited track record in commercialization of our products and solutions.
- There can be no assurance that our efforts seeking design wins for our products and solutions will succeed.
- There is no guarantee that the sales results of our products and solutions would meet our forecast even after we achieve design wins.
- We may face supply chain risks and risks of interruption of requisite services, including, as a result of our reliance on a single or limited suppliers and vendors, for certain components, equipment and services.
- We depend on TSMC to manufacture our SoCs.

OUR SINGLE LARGEST SHAREHOLDER

As at the date of this Prospectus, Mr. Shan beneficially owned 44,100,000 Shares which represents approximately 8.29% of our total issued share capital and, through voting trust agreements, controlled the exercise of the voting rights of additional 79,276,415 Shares which represents approximately 14.90% of our total issued share capital (under the weighted voting rights structures currently in place, Mr. Shan controlled 56.00% of voting rights of our Company), and upon Listing the weighted voting rights structure will cease, such that Mr. Shan will control the exercise of the voting rights of the aforesaid 123,376,415 Shares which represents approximately 21.68% of our total issued share capital (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued under the Share Plans). Therefore, Mr. Shan will be our Single Largest Shareholder upon Listing and our Company will not have any controlling shareholders as defined under the Listing Rules. For further details, see “History and Corporate Structure – Our Voting Rights Structure” and “Relationship with Our Single Largest Shareholder”.

PRE-IPO INVESTMENTS

Up to the Latest Practicable Date, we have conducted ten rounds of Pre-IPO Investments. See “History and Corporate Structure – Pre-IPO Investments” in this Prospectus for further details.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountant's Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Selected items from the Consolidated Statements of Comprehensive (Loss)/Income

The following table sets forth a summary of our consolidated statements of comprehensive (loss)/income for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)									
	(Unaudited)									
Revenue	60,504	100.0	165,442	100.0	312,391	100.0	29,256	100.0	27,473	100.0
Cost of sales	(38,632)	(63.9)	(116,811)	(70.6)	(235,248)	(75.3)	(23,793)	(81.3)	(10,737)	(39.1)
Gross profit	21,872	36.1	48,631	29.4	77,143	24.7	5,463	18.7	16,736	60.9
Operating loss	(722,660)	(1,194.4)	(1,052,821)	(636.4)	(1,696,897)	(543.2)	(330,709)	(1,130.4)	(439,299)	(1,599.0)
(Loss)/profit before income tax	(2,356,502)	(3,894.8)	(2,753,936)	(1,664.6)	(4,855,118)	(1,554.2)	(1,106,663)	(3,782.7)	1,203,302	4,379.9
(Loss)/profit for the year/period attributable to the equity holders of the Company	(2,356,502)	(3,894.8)	(2,753,936)	(1,664.6)	(4,855,118)	(1,554.2)	(1,106,663)	(3,782.7)	1,203,302	4,379.9

Non-IFRS Measure

We define adjusted net loss (non-IFRS measure) as net loss for the year/period adjusted by adding back fair value change in financial instruments issued to investors and share-based payment expenses.

To supplement our consolidated financial statements, we also use adjusted net loss (non-IFRS measure) as 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 period to period and company to company by eliminating potential impacts of certain items. We believe this measure 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 as an analytical tool has limitations, 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.

SUMMARY

The following table reconciles our adjusted net loss (non-IFRS measure) for the years or periods presented in accordance with IFRS, which is net loss for the year or period:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>(RMB in thousands, except for percentages)</i>		<i>(RMB in thousands, except for percentages)</i>		<i>(RMB in thousands, except for percentages)</i>		<i>(RMB in thousands, except for percentages)</i>		<i>(RMB in thousands, except for percentages)</i>	
	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>	<i>% of</i>
	<i>Amount</i>	<i>revenue</i>	<i>Amount</i>	<i>revenue</i>	<i>Amount</i>	<i>revenue</i>	<i>Amount</i>	<i>revenue</i>	<i>Amount</i>	<i>revenue</i>
	<i>(Unaudited)</i>									
Reconciliation of net (loss)/ profit to adjusted net loss (non-IFRS measure)										
(Loss)/profit for the year/period	(2,356,502)	(3,894.8)	(2,753,936)	(1,664.6)	(4,855,118)	(1,554.2)	(1,106,663)	(3,782.7)	1,203,302	4,379.9
Add:										
Fair value change in financial instruments issued to investors ⁽¹⁾	1,631,175	2,696.0	1,714,062	1,036.1	3,179,819	1,017.9	780,298	2,667.1	(1,636,088)	(5,955.3)
Share-based payment expenses ⁽²⁾	111,744	184.7	339,544	205.2	421,052	134.8	80,722	276.0	113,135	411.9
Adjusted net loss (non-IFRS measure)	<u>(613,583)</u>	<u>(1,014.1)</u>	<u>(700,330)</u>	<u>(423.3)</u>	<u>(1,254,247)</u>	<u>(401.5)</u>	<u>(245,643)</u>	<u>(839.6)</u>	<u>(319,651)</u>	<u>(1,163.5)</u>

Notes:

- (1) Fair value change in financial instruments issued to investors represents (i) redeemable convertible preferred shares, (ii) warrants for purchase of ordinary shares, (iii) convertible notes, and (iv) commitment derivatives. We do not expect to record any further fair value changes in financial instruments issued to investors as (i) preferred shares liabilities will be redesignated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing; (ii) convertible notes had been converted to preferred shares liabilities as of March 31, 2024; (iii) warrant liabilities had been settled as of March 31, 2024; and (iv) commitment derivatives had been converted to preferred shares liabilities as of March 31, 2024.
- (2) Share based payment expenses mainly represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

SUMMARY

The table below sets forth the revenue breakdown by our products and solutions in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,		Year ended December 31,		Year ended December 31,		Three months ended March 31,		Three months ended March 31,	
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving products										
and solutions	34,261	56.6	142,282	86.0	276,318	88.5	22,666	77.5	23,581	85.8
– SoC-based solutions	1,615	2.6	85,377	51.6	193,613	62.0	10,553	36.1	16,235	59.1
– Algorithm-based solutions	32,646	54.0	56,905	34.4	82,705	26.5	12,113	41.4	7,346	26.7
Intelligent imaging solutions	26,243	43.4	23,160	14.0	36,073	11.5	6,590	22.5	3,892	14.2
Total	<u>60,504</u>	<u>100.0</u>	<u>165,442</u>	<u>100.0</u>	<u>312,391</u>	<u>100.0</u>	<u>29,256</u>	<u>100.0</u>	<u>27,473</u>	<u>100.0</u>

While we mainly focus on SoC design, the key element of our offerings, it takes a relatively long period of time before the SoC could be launched to the market for commercialization. Therefore, to fully leverage our capabilities in autonomous driving application development, we had initially focused on the sales of algorithm-based solutions for early stage revenue generation and establishment of customer relationship. In addition, we also leveraged our development of automotive-grade imaging capabilities and applied the resulting technologies to our intelligent imaging solutions. Revenue generated from our autonomous driving products and solutions contributed a significant proportion of our total revenue, accounting for 56.6%, 86.0%, 88.5%, 77.5% and 85.8% of the total revenue in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The significant growth in 2022 was contributable to our increased sales volume of products and solutions and the mass-production of our proprietary SoCs in late 2022. To a lesser extent, we had revenue from intelligent imaging solution business, which (i) decreased from RMB26.2 million in 2021 to RMB23.2 million in 2022, as we reviewed our customer profile and terminated certain cooperation that was inconsistent with our long-term business strategy; (ii) increased from RMB23.2 million in 2022 to RMB36.1 million in 2023, primarily due to our increased sales to existing customers and our expansion of quality customer base to replace those inconsistent with our long-term business strategy; and (iii) decreased from RMB6.6 million in the three months ended March 31, 2023 to RMB3.9 million in the three months ended March 31, 2024, primarily due to changes in customer procurement scheduling resulting from delays in the projects of their downstream customers.

SUMMARY

The following table sets forth our gross profit both in absolute amounts and as percentages of revenue, or gross profit margin, by products and solutions for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>	<i>Amount</i>	<i>(%)</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving										
products and solutions	6,379	18.6	34,384	24.2	59,054	21.4	2,913	12.9	12,979	55.0
– SoC-based solutions	1,342	83.1	27,954	32.7	45,967	23.7	1,333	12.6	12,063	74.3
– Algorithm-based solutions	5,037	15.4	6,430	11.3	13,087	15.8	1,580	13.0	916	12.5
Intelligent imaging solutions	15,493	59.0	14,247	61.5	18,089	50.1	2,550	38.7	3,757	96.5
Total	<u>21,872</u>	<u>36.1</u>	<u>48,631</u>	<u>29.4</u>	<u>77,143</u>	<u>24.7</u>	<u>5,463</u>	<u>18.7</u>	<u>16,736</u>	<u>60.9</u>

Our gross profit increased from RMB21.9 million in 2021 to RMB48.6 million in 2022 and further to RMB77.1 million in 2023; our gross profit increased from RMB5.5 million in the three months ended March 31, 2023 to RMB16.7 million in the three months ended March 31, 2024. Our gross profit margin for autonomous driving products and solutions increased from 18.6% in 2021 to 24.2% in 2022, mainly attributable to our pricing for solutions in light of customers’ more sophisticated demands, adjustment of solution portfolio, and mass production and delivery of our proprietary SoCs. Meanwhile, we had a decrease trend in the gross profit margin of SoC-based solutions, which decreased from 83.1% in 2021 to 32.7% in 2022, primarily due to the change in price range of SoC-based solutions as our sales gradually transitioned from prototypes for early customers to mass produced solutions for a large customer base. See “Financial Information – Description of Major Components of Our Results of Operations – Revenue.” Our gross profit margin for autonomous driving products and solutions decreased from 24.2% in 2022 to 21.4% in 2023, of which the gross profit margin of SoC-based solutions decreased from 32.7% in 2022 to 23.7% in 2023, primarily due to the inventory provision in relation to SoC-based solutions, as we incurred relatively higher costs for semiconductor packaging and testing services at the early stage of our business. We subsequently offered the SoCs for Geely’s vehicle models at favorable prices, as we have been collaborating with Geely since the early stage of our commercialization, in expectation of long-term collaboration. As a result, certain orders of the SoC-based solutions were priced below the cost in expectation of broader commercial opportunities of our SoC-based solutions on more vehicle models in the future, and we made inventory provision in line with the decreased net realizable value. In addition, we strategically lowered the selling price of certain SoCs-based solutions in late 2023, in view of expanding our customer base. Our gross profit margin for autonomous driving products and solutions increased from 12.9% in the three months ended March 31, 2023 to 55.0% in the three months ended March 31, 2024, primarily

SUMMARY

attributable to the significant increase in gross profit margin for SoC-based solutions, as our autonomous driving algorithms integrated in SoC-based solutions, having been refined and verified for mass production during the commercialization process, enabled our customers to choose solutions with fewer hardware components based on their needs. Our gross profit margin for intelligent imaging solutions remained stable in 2021 and 2022, being 59.0% and 61.5%, respectively, and then decreased to 50.1% in 2023, primarily due to the increased revenue contribution of hardware products with our proprietary algorithms embedded, which involves more hardware components and generally resulting in lower gross profit margin. Our gross profit margin for intelligent imaging solutions business increased from 38.7% in the three months ended March 31, 2023 to 96.5% in the three months ended March 31, 2024, primarily due to an increased percentage of revenue from the licensing of self-developed software and algorithms that involves less hardware.

Our research and development expenses increased from RMB595.4 million in 2021 to RMB764.1 million in 2022, and further to RMB1,362.5 million in 2023, accounting for 984.0%, 461.8% and 436.2% of our revenue for the same years, respectively. Our research and development expenses increased from RMB266.5 million in the three months ended March 31, 2023 to RMB339.4 million in the three months ended March 31, 2024, accounting for 910.9% and 1,235.3% of our revenue for the same periods, respectively. We have made significant investments in our research and development activities as we continued to develop autonomous driving products and solutions, expanded our research and development team and procured relevant intellectual property rights. During the Track Record Period, the increase in our research and development expenses was primarily due to (i) an increase in employee compensation expenses as we expanded our R&D team and incurred share-based payment expenses; and (ii) an increase in the product design and development expenses representing a one-time purchase of tape-out services in 2023.

Our selling expenses amounted to RMB50.8 million, RMB119.7 million, RMB101.8 million, RMB24.0 million and RMB24.6 million, accounting for 84.0%, 72.4%, 32.6%, 82.1% and 89.7% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The fluctuations in our selling expenses were mostly attributable to the share-based payment to our sales staff of RMB13.8 million, RMB78.4 million, RMB47.8 million, RMB10.4 million and RMB12.8 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. In addition, we had an increase in marketing expenses in 2023 primarily due to our increased offline sales and marketing activities.

Our general and administrative expenses amounted to RMB111.7 million, RMB215.2 million, RMB319.0 million, RMB61.1 million and RMB90.3 million, respectively, accounting for 184.6%, 130.1%, 102.1%, 208.8% and 328.7% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The increase in our general and administrative expenses during the Track Record Period was primarily attributable to our growing employee compensation expenses, as well as depreciation and amortization, resulting from an increase in the number of administrative staff and leased offices to support our business growth. The increase in our general and administrative expenses in 2023 was also attributable to (i) the significant increase in our listing expenses; and (ii) the share-based payment of RMB150.6 million.

SUMMARY

We had a net loss of RMB2,356.5 million, RMB2,753.9 million, RMB4,855.1 million and RMB1,106.7 million in 2021, 2022, 2023 and the three months ended March 31, 2023, respectively, primarily due to (i) our continuous investment in research and development, and (ii) fair value change in financial instruments issued to investors primarily representing changes in fair value of preferred shares, resulting from the increase in fair value of the equity interests with preferred rights held by our investors, as well as warrant liabilities, convertible notes and commitment derivatives. We had a net profit of RMB1,203.3 million in the three months ended March 31, 2024, primarily due to fair value change in financial instruments issued to investors primarily representing changes in fair value of preferred shares.

Selected items from the Consolidated Statements of Financial Position

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

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Current assets				
Financial assets at fair value				
through profit or loss	–	706,462	8,197	8,316
Cash and cash equivalents	1,553,419	982,229	1,298,412	1,053,511
Total current assets	1,691,143	2,021,163	1,640,666	1,411,710
Current liabilities				
Trade payables	13,083	69,907	68,085	52,370
Other payables and accruals	96,772	120,221	239,526	326,377
Financial instruments issued				
to investors	5,249,949	8,386,402	12,589,493	10,977,065
Total current liabilities	5,379,471	8,613,183	12,923,104	11,452,152
Net current liabilities	(3,688,328)	(6,592,020)	(11,282,438)	(10,040,442)
Non-current assets				
Trade and notes receivables	–	–	–	13,974
Property, plant and equipment	27,694	55,293	98,589	103,656
Right-of-use assets	11,375	33,243	50,848	54,518
Intangible assets	13,687	17,417	74,795	66,797
Total non-current assets	72,841	131,722	279,674	290,622

SUMMARY

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Non-current liabilities				
Lease liabilities	6,196	16,223	33,927	35,651
Other payables and accruals	28,400	29,657	56,925	12,624
Total non-current liabilities	46,851	45,880	90,852	48,275
Net non-current assets	25,990	85,842	188,822	242,347
Net liabilities	(3,662,338)	(6,506,178)	(11,093,616)	(9,798,095)

We recorded net liabilities as of December 31, 2021, 2022 and 2023 and March 31, 2024, primarily due to financial instruments issued to investors, which mainly represented the increases in the fair value of our preferred shares. We expect to achieve a net assets position upon Listing, as the redeemable convertible preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares upon Listing.

Our net current liabilities decreased from RMB11,282.4 million as of December 31, 2023 to RMB10,040.4 million as of March 31, 2024, primarily due to a decrease of RMB1,612.4 million in financial instruments issued to investors. This was partially offset by (i) a decrease of RMB244.9 million in cash and cash equivalents, (ii) an increase of RMB86.9 million in other payables and accruals, and (iii) an increase of RMB67.9 million in borrowings.

Our net current liabilities increased from RMB6,592.0 million as of December 31, 2022 to RMB11,282.4 million as of December 31, 2023, primarily due to (i) an increase of RMB4,203.1 million in financial instruments issued to investors, (ii) a decrease of RMB698.3 million in financial assets at fair value through profit and loss, and (iii) an increase of RMB119.3 million in other payables and accruals. This was partially offset by an increase of RMB316.2 million in cash and cash equivalents.

Our net current liabilities increased from RMB3,688.3 million as of December 31, 2021 to RMB6,592.0 million as of December 31, 2022, primarily due to (i) an increase of RMB3,136.5 million in financial instruments issued to investors; and (ii) a decrease of RMB571.2 million in cash and cash equivalents, primarily due to our use of cash for investment in Treasury bonds and money market funds. This was partially offset by an increase of RMB706.5 million in financial assets at fair value through profit or loss.

We had net liabilities of RMB3,662.3 million, RMB6,506.2 million, RMB11,093.6 million and RMB9,798.1 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively, primarily due to the loss for the year or period. We had accumulated losses of RMB3,838.2 million, RMB6,592.1 million, RMB11,447.2 million and RMB10,243.9 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. The increases in net liabilities in 2022 and 2023 were also attributable to foreign currency translation, partially offset by share-based compensation.

SUMMARY

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, (ii) purchases of property, plant and equipment, (iii) payments for intangible assets, (iv) principal payments of lease liabilities, and (v) interest paid for lease liabilities. Our historical cash burn rate was RMB56.6 million, RMB70.1 million, RMB100.8 million, RMB107.4 million and RMB105.1 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, mainly representing our investment in R&D activities. We had a relatively lower cash burn rate in the second half of 2023, amounting to RMB87.9 million, attributable to our enhanced operating cash flow and growth of revenue, as well as a decrease in purchase of property, plant and equipment. During the Track Record Period, we recorded substantial expenditure in purchase of property, plant and equipment and payments for intangible assets primarily due to our significant procurement of servers and EDA tools, respectively, for the R&D activities of our next-generation SoCs. We had cash and cash equivalents, current financial assets at fair value through profit or loss and unutilized banking facilities of RMB1,370.5 million as of May 31, 2024. We estimate that we will receive net proceeds of approximately HK\$985.4 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Offer Size Adjustment Option or Over-allotment Option is exercised and assuming an Offer Price of HK\$29.15 per Offer Share, being the mid-point of the indicative Offer Price range in this Prospectus. Assuming that the average cash burn rate going forward will be RMB87.9 million, similar to the cash burn rate level in the six months ended December 31, 2023 based on the underlying assumptions that (i) the number of our employees will not increase significantly, particularly in the R&D department; (ii) we do not expect substantial capital investment; and (iii) we do not expect significant acquisitions of fixed assets, we estimate that our cash and cash equivalents, current financial assets at fair value through profit or loss and unutilized banking facilities as of May 31, 2024 will be able to maintain our financial viability for 15.6 months or, if we take into account 10% of the estimated net proceeds from the Listing (namely, the portion allocated for our working capital and other general corporate purposes), 16.6 months or, if we also take into account the estimated net proceeds from the Listing, 25.8 months. We will continue to monitor our cash flows from operations closely and maintain our financial viability through a variety of means, including, among others, banking facilities and external financings. See “Financial Information – Indebtedness.” We do not expect to have next round of financing before the Global Offering.

Going forward, we expect to incur increasing costs and expenses, primarily for procurement of materials for the mass production of SoCs as well as investments in research and development activities. This will lead to an increase in inventory and trade and notes receivables in turn. Such expenditure is expected to be generally in line with our business growth in the future.

PATH TO PROFITABILITY

We have experienced strong revenue growth during the Track Record Period, demonstrating our ability to successfully commercialize our products and solutions. Our revenue increased from RMB60.5 million in 2021 to RMB165.4 million in 2022, further to RMB312.4 million in 2023; our revenue slightly decreased from RMB29.3 million in the three months ended March 31, 2023 to RMB27.5 million in the three months ended March 31, 2024. In 2023 and the three months ended March 31, 2024, we provided our products and solutions to 85 and 21 customers in China and overseas. Specifically, revenue from autonomous driving

SUMMARY

products and solutions increased from RMB34.3 million in 2021 to RMB142.3 million in 2022, and further to RMB276.3 million in 2023, accounting for 56.6%, 86.0% and 88.5% of our total revenue for the same years, respectively; revenue from autonomous driving products and solutions increased from RMB22.7 million in the three months ended March 31, 2023 to RMB23.6 million in the three months ended March 31, 2024, accounting for 77.5% and 85.8% of our total revenue for the same periods, respectively. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024. According to Frost & Sullivan, we accounted for 7.2% of the high-computing power SoC markets in terms of units delivered in China in 2023. According to the same source, the global and China automotive-grade SoC market size is expected to grow 36.5% and 42.6% in 2024, respectively, and the shipments of high-computing power SoCs in China and globally are expected to increase significantly in the coming years. With further penetration and development of the autonomous driving products and solutions market, we expect that our revenue from such products and solutions will continue to grow significantly and be our major revenue contributor in the foreseeable future.

Our gross profit grew rapidly from RMB21.9 million in 2021 to RMB48.6 million in 2022 and further to RMB77.1 million in 2023; our gross profit grew from RMB5.5 million in the three months ended March 31, 2023 to RMB16.7 million in the three months ended March 31, 2024. Our gross profit margin was 36.1%, 29.4%, 24.7%, 18.7% and 60.9% in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The decrease in gross profit margin from 2021 to 2022 was due to the increased revenue contribution of autonomous driving products and solutions, which involves more hardware components and generally entails comparatively lower gross profit margin. Our gross profit margin for autonomous driving products and solutions increased from 18.6% in 2021 to 24.2% in 2022, and then decreased to 21.4% in 2023; our gross profit margin for autonomous driving products and solutions increased from 12.9% in the three months ended March 31, 2023 to 55.0% in the three months ended March 31, 2024. Our gross profit margin for intelligent imaging solutions business remained relatively stable in 2021 and 2022, being 59.0% and 61.5%, respectively, and then decreased to 50.1% in 2023; our gross profit margin for intelligent imaging solutions business increased from 38.7% in the three months ended March 31, 2023 to 96.5% in the three months ended March 31, 2024.

We had a net (loss)/profit of RMB(2,356.5) million, RMB(2,753.9) million, RMB(4,855.1) million, RMB(1,106.7) million and RMB1,203.3 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. During the COVID-19 resurgence in 2022, we experienced certain disruptions in terms of our sales activities. As a result, there was a temporary delay in project delivery and an overall slowdown in customer engagement, which in turn affected our product commercialization and business expansion. Eliminating impact of items including (i) share-based payment expenses and (ii) fair value change in financial instruments issued to investors, we generated an adjusted net loss (non-IFRS measure) of RMB613.6 million, RMB700.3 million, RMB1,254.2 million, RMB245.6 million and RMB319.7 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, accounting for 1,014.1%, 423.3%, 401.5%, 839.6% and 1,163.5% of our revenue for the respective periods. See “Financial Information – Description of Major Components of Our Results of Operations – Non-IFRS Measure.”

SUMMARY

Our adjusted net losses (non-IFRS measure) were primarily due to the significant amounts of selling expenses, general and administrative expenses and R&D expenses incurred during the Track Record Period. The absolute dollar amounts of our selling expenses, general and administrative expenses and R&D expenses (excluding share-based compensation) increased throughout the Track Record Period as our business grew rapidly. Historically, we have made significant investments in our R&D activities and selling efforts as we continued to develop our products and solutions and expand our brand influence. However, as we expand the scale and scope of our business, we expect to make continuous improvement to our operational efficiency. We have started to implement prudent measures to manage our costs and operating expenses.

During the Track Record Period, we had funded our cash requirements primarily with capital contribution from shareholders and financing through the Pre-IPO Investments. See “History and Corporate Structure – Pre-IPO Investments.” We had cash and cash equivalents and current financial assets at fair value through profit or loss of RMB1,553.4 million, RMB1,688.7 million, RMB1,306.6 million and RMB1,061.8 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Our total cash balance is sufficient to cover our net cash flows used in operating activities and provide adequate liquidity for our expansion of business operations. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets, after taking into account the financial resources available to us.

We recorded net losses in 2021, 2022 and 2023, and recorded adjusted net loss (non-IFRS measure) and net operating cash outflow during the Track Record Period. We currently expect such positions may continue until we achieve a greater scale. We anticipate that we will continue to incur adjusted net loss (non-IFRS measure) and operating loss for the year ending December 31, 2024, primarily due to the expected substantial R&D expenses. In the future, we aim to maintain sustainability and achieve profitability through: (i) enriching and expanding our products and solutions; (ii) expanding customer base; and (iii) enhancing our operational efficiency and economies of scale. See “Business – Path to Profitability.”

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated, or for the periods indicated:

	As of/Year ended December 31,			As of/Three months ended
	2021	2022	2023	March 31, 2024
Gross profit margin (%) ⁽¹⁾	36.1	29.4	24.7	60.9
Current ratio ⁽²⁾	0.3	0.2	0.1	0.1
Quick ratio ⁽³⁾	0.3	0.2	0.1	0.1
Cash ratio ⁽⁴⁾	0.3	0.2	0.1	0.1

SUMMARY

- (1) Gross profit margin is calculated by dividing gross profit by our revenue for the period indicated.
- (2) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.
- (3) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the date indicated.
- (4) Cash ratio is calculated by dividing the sum of cash and cash equivalents and current financial assets at fair value through profit or loss by the total current liabilities as of the date indicated.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the Global Offering, (ii) the exercise of the Offer Size Adjustment Option and the Over-allotment Option and (iii) the Share Plans on the basis that, among other things, we satisfy the requirements under Rule 18C.03 of the Listing Rules as a Commercial Company (as defined in the Listing Rules) with reference to our expected market capitalization at the time of Listing, which, based on the Offer Price, exceeds HK\$6 billion.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Global Offering has been completed and 37,000,000 Shares are issued pursuant to the Global Offering.

	Based on an Offer Price of HK\$28.00 per Share	Based on an Offer Price of HK\$30.30 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$15,936.7 million	HK\$17,245.8 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$3.87	HK\$4.02

Notes:

- (1) The calculation of market capitalization is based on 569,169,253 Shares expected to be in issue immediately upon completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised).
- (2) The unaudited pro forma adjusted net tangible assets per Share as of December 31, 2023 is calculated after making the adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information” and on the basis that 569,169,253 Shares were in issue assuming that (a) the Global Offering had been completed on December 31, 2023; (b) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering after considering the subsequent amendments to the key terms of the Preferred Shares according to the written resolutions passed by the shareholders on July 26, 2024; and (c) has not taken into account of any Shares that may further be issued upon the exercise of the Offer Size Adjustment Option or the Over-allotment Option or under the Share Plans and any Shares that may be issued or repurchased by us under the general mandate granted to the Directors as set out in the section headed “Share Capital” in this Prospectus.

SUMMARY

LISTING EXPENSES

The listing expenses represent professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses, including underwriting commission for the Global Offering, will be approximately HK\$93.2 million (including (i) underwriting commission of approximately HK\$34.8 million, and (ii) non-underwriting related expenses of approximately HK\$58.4 million, which consist of fees and expenses of legal advisors and Reporting Accountant approximately HK\$33.6 million and other fees and expenses of approximately HK\$24.8 million), representing approximately 8.6% of the gross proceeds from the Global Offering, (assuming an Offer Price of HK\$29.15 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option). Among the total listing expenses, approximately HK\$34.6 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity, approximately HK\$40.0 million has been expensed during the Track Record Period, and the remaining amount of approximately HK\$18.6 million is expected to be expensed upon the Listing.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$29.15 per Offer Share (being the mid-end of the Offer Price range stated in this Prospectus), will be approximately HK\$985.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 80.0% or HK\$788.3 million will be used for our research and development over the next five years with the detailed breakdown of the proceeds to be allocated as follows:
 - Approximately 30.0% or HK\$295.6 million will be used for the R&D team to develop automotive-grade intelligent vehicle SoCs.
 - Approximately 25.0% or HK\$246.4 million will be used for the development and upgrade of our intelligent vehicle software platform.
 - Approximately 20.0% or HK\$197.1 million will be used to procure materials, tape-out services and software for R&D of intelligent vehicle SoCs and automotive-grade IP cores.
 - Approximately 5.0% or HK\$49.3 million will be used for the development of autonomous driving solutions, such as the next-generation V2X edge computing solution and the next-generation add-on adaptive safety system Patronus.

SUMMARY

- Approximately 10.0% or HK\$98.5 million will be used for improvement of our commercialization capability.
- Approximately 10.0% or HK\$98.5 million will be used for working capital and general corporate purposes, in particular for procuring inventories for mass production of our SoCs.

For more details, see “Future Plans and Use of Proceeds.”

DIVIDEND AND DIVIDEND POLICY

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. We did not declare or distribute any dividend to our Shareholders during the Track Record Period. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. As advised by our Cayman legal advisors, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that our Company satisfies the solvency test set out in the Cayman Companies Act.

IMPACT OF COVID-19

Our business operations faced certain challenges due to the COVID-19 pandemic. The COVID-19 pandemic had resulted in adverse impacts on the downstream automotive OEMs, as their business activities including research and development, manufacturing and sales generally slowed down due to the implementation of nationwide restrictions, as well as the global supply shortage of raw materials and components, resulting in delays in R&D and delivery of our products and solutions to certain of our customers. However, our operational and financial performance was not materially affected. We also took various measures, including temporarily closing our offices, facilitating remote work arrangements for research and development activities as well as supporting work, and suspending certain on-site projects from time to time. In addition, during the COVID-19 resurgence in 2022, we experienced certain disruptions in terms of our sales activities. As a result, there was a temporary delay in project delivery and an overall slowdown in customer engagement, which in turn affected our product commercialization and business expansion. During the Track Record Period and up to the Latest Practicable Date, we had not experienced significant delay in projects, or material delay or impediment of our research and development, due to the COVID-19 pandemic. See “Financial Information – Impact of COVID-19.”

SUMMARY

RECENT DEVELOPMENT

As of the Latest Practicable Date, we had earned design wins for mass production of SoC products for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers, among which we had collaborated with Geely, Dongfeng, HYCAN, FAW Group, Baolong and a wide range of other automotive OEMs for factory-installation of our A1000 SoC on their vehicle models. Our Huashan A1000 SoC has been successfully mass-produced for several vehicle models, including Geely's Lynk & Co 08 and HYCAN's v09 in 2023 and Dongfeng's eπ007 and eπ008 in the late first quarter and the second quarter of 2024, respectively. We also entered into strategic partnership with the Office for Attracting Strategic Enterprises (OASES) of Hong Kong in March 2024 to jointly participate in the development of innovation and technology ecosystem.

Our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since March 31, 2024, being the end date of the periods reported in the Accountant's Report set out in Appendix I, and there is no event since March 31, 2024 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

In April 2024, we entered into a business cooperation agreement with the Administrative Committee of Wuhan East Lake Ecological Tourism Area (武漢市東湖生態旅遊風景區管理委員會) (the "**Committee**"), pursuant to which the Committee conditionally agreed to provide us with support in various areas, including but not limited to support in relation to office space and employee accommodation, performance-based awards and talent subsidies, facilitation of financing activities, and support for intelligent driving operations and R&D activities, aiming to facilitate our business growth while optimizing personnel costs. In June 2024, we entered into a strategic cooperation agreement with Wuhan Municipal Bureau of Economy and Information (武漢市經濟和信息化局) (the "**Bureau**") to facilitate the local development of intelligent vehicle industry and ensure long-term support from Wuhan government for our future business development, pursuant to which the Bureau agreed to provide us support in areas such as product and solution development and talent recruitment.

We anticipate that we will continue to incur adjusted net loss (non-IFRS measure) and operating loss for the year ending December 31, 2024, primarily due to the expected substantial R&D expenses.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“Accountant’s Report”	the report of our Company’s reporting accountant, PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on July 26, 2024, with effect upon the completion of the Global Offering, and as amended from time to time, a summary of which is set out in Appendix III to this Prospectus
“ASIL”	automotive safety integrity level, a risk classification scheme defined by the ISO 26262. There are four ASILs identified by the standard: ASIL-A, ASIL-B, ASIL-C, ASIL-D. ASIL-D dictates the highest integrity requirements on the product and ASIL-A the lowest
“Black Sesame Beijing”	Black Sesame Technologies (Beijing) Co., Ltd. (黑芝麻智能(北京)科技有限公司), a company established under the laws of the PRC with limited liability on May 12, 2023, our indirect wholly-owned subsidiary
“Black Sesame Chengdu”	Black Sesame Technologies (Chengdu) Co., Ltd. (黑芝麻智能科技(成都)有限公司), a company established under the laws of the PRC with limited liability on May 8, 2021, our indirect wholly-owned subsidiary
“Black Sesame Chongqing”	Black Sesame Technologies (Chongqing) Co., Ltd. (黑芝麻智能科技(重慶)有限公司), a company established under the laws of the PRC with limited liability on November 27, 2019, our indirect wholly-owned subsidiary

DEFINITIONS

“Black Sesame HK”	Black Sesame Technologies (HK) Limited, a company incorporated under the laws of Hong Kong with limited liability on August 26, 2016, our direct wholly-owned subsidiary
“Black Sesame Innovation”	Black Sesame Innovation (HK) Limited, a company incorporated under the laws of Hong Kong with limited liability on January 10, 2024, our direct wholly-owned subsidiary
“Black Sesame IP”	Black Sesame IP Holding Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on September 26, 2023, our direct wholly-owned subsidiary
“Black Sesame Shanghai”	Black Sesame Technologies (Shanghai) Co., Ltd. (黑芝麻智能科技(上海)有限公司), a company established under the laws of the PRC with limited liability on January 14, 2017, our indirect wholly-owned subsidiary
“Black Sesame Shenzhen”	Black Sesame Technologies (Shenzhen) Co., Ltd. (黑芝麻智能科技(深圳)有限公司), a company established under the laws of the PRC with limited liability on December 30, 2021, our indirect wholly-owned subsidiary
“Black Sesame Singapore”	Black Sesame Technologies (Singapore) Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on May 14, 2018, our direct wholly-owned subsidiary
“Black Sesame US”	Black Sesame Technologies Inc., a company incorporated under the laws of the State of California on August 25, 2016, our direct wholly-owned subsidiary
“Black Sesame Wuhan”	Black Sesame Technologies Co., Ltd. (黑芝麻智能科技有限公司), a company established under the laws of the PRC with limited liability on February 8, 2021, our indirect wholly-owned subsidiary
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

DEFINITIONS

“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capital Market Intermediaries”	the capital market intermediaries as named in the section headed “Directors and Parties Involved in the Global Offering” in this Prospectus
“Cayman Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China”, “Mainland China” or “PRC”	the People’s Republic of China, which, for the purposes of this Prospectus and for geographical reference only, references to “China”, “Mainland China” and the “PRC” do not apply to Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC, except where the context indicates or requires otherwise
“CNIPA”	the China National Intellectual Property Administration (國家知識產權局)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
“Company”, “our Company”, “the Company”, “we” or “us”	Black Sesame International Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on July 15, 2016
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Dark Benne”	Dark Benne Limited (荳藤有限公司), a company incorporated under the laws of Hong Kong with limited liability on November 4, 2022, our indirect wholly-owned subsidiary
“Director(s)”	the director(s) of our Company or any one of them
“EIT”	the PRC enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“EIT Rules”	the Implementation Regulations on the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), as amended, supplemented or otherwise modified from time to time
“Excellent Ocean Trust”	a trust set up by the Company as the settlor with Trident Trust Company (HK) Limited as the trustee for the purposes of managing certain options granted under the Pre-IPO Share Plan, and with Excellent Ocean Assets Limited, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of Trident Trust Company (HK) Limited, holding the relevant options and Shares involved in the capacity as the trustee
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	Fast Interface for New Issuance, an online platform operated by HKSCC for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings

DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan Limited, an Independent Third Party and a market research firm engaged by the Company to prepare an industry report, the details of which are set out in the section headed “Industry Overview” in this Prospectus
“Frost & Sullivan Report”	an industry report commissioned by us and issued by Frost & Sullivan in July 2024, as referred to in the section headed “Industry Overview” in this Prospectus
“Glide Expert”	Glide Expert Limited, a limited liability company incorporated under the laws of the BVI and beneficially owned by Mr. Du Hao, who is a former employee of the Group and an Independent Third Party
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group” or “the Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App or on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS as from time to time in force

DEFINITIONS

“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 1,850,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure of the Global Offering” in this Prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this Prospectus, as further described in the section headed “Structure of the Global Offering” in this Prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in “Underwriting – Hong Kong Underwriters” in this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated July 30, 2024 relating to the Hong Kong Public Offering entered into among our Company, Mr. Shan, the Joint Sponsors, the Joint Sponsor-Overall Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this Prospectus
“IFRS”	International Financial Reporting Standards – Accounting Standards

DEFINITIONS

“Independent Third Party(ies)”	individual(s) or company(ies) who or which, to the best of our Directors’ knowledge having made all due and careful enquiries, is/are independent from and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Offer Shares”	the 35,150,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this Prospectus) initially being offered by our Company for subscription pursuant to the International Offering
“International Offering”	the offering of the International Offer Shares at the Offer Price outside the United States in accordance with Regulation S, as further described in the section headed “Structure of the Global Offering” in this Prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering expected to be entered into by, among others, our Company, the Joint Sponsor-Overall Coordinators, the Joint Global Coordinators and the International Underwriters, on or about the Price Determination Date, as further described in “Underwriting – Underwriting Arrangements and Expenses – The International Offering” in this Prospectus
“IPO App”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” in this Prospectus

DEFINITIONS

“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors and Parties Involved in the Global Offering” in this Prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” in this Prospectus
“Joint Overall Coordinators”	China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited
“Joint Sponsor-Overall Coordinators” and “Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited
“Latest Practicable Date”	July 22, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
“Listing”	listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, August 8, 2024, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Marvel Stars”	Marvel Stars Ventures Limited, a limited liability company incorporated under the laws of the BVI and wholly owned by Ms. Wang

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on July 26, 2024 with effect upon the completion of the Global Offering, and as amended from time to time, a summary of which is set out in Appendix III to this Prospectus
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Liu”	Mr. Liu Weihong (劉衛紅), one of our founders, our executive Director and the president of our Company
“Mr. Shan”	Mr. Shan Jizhang (單記章), one of our founders, chairman of our Board, our executive Director and the chief executive officer of our Company
“Ms. Pan”	Ms. Pan Dan, the spouse of Mr. Shan
“Ms. Wang”	Ms. Wang Qi, the sole shareholder of Marvel Stars and an Independent Third Party
“New Key Trade”	New Key Trade Company Limited, a limited liability company incorporated under the laws of the BVI and ultimately owned by Mr. Liu’s trust, the beneficiaries of which are Mr. Liu and Ruby Wealth
“New York Stock Exchange”	the New York Stock Exchange
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) of not less than HK\$28.00 and expected to be not more than HK\$30.30, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the paragraphs headed “Structure of the Global Offering – Pricing of the Global Offering” in this Prospectus

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares to be sold or issued pursuant to the exercise of the Offer Size Adjustment Option and/or Over-allotment Option
“Offer Size Adjustment Option”	the option under the Hong Kong Underwriting Agreement, exercisable by the Company on or before the Price Determination Date, pursuant to which the Company may issue and allot up to an aggregate of 5,550,000 additional Shares at the Offer Price, to cover the additional demand, if any, as described in the section headed “Structure of the Global Offering” in this Prospectus
“Ordinary Share(s)” or “Share(s)”	the ordinary share(s) of par value US\$0.0001 per share in the authorized share capital of our Company
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Sponsor-Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 5,550,000 additional Shares (assuming the Offer Size Adjustment Option is not exercised) or 6,382,500 additional Shares (assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this Prospectus
“Pathfinder SII(s)”	has the meaning ascribed to it in Chapter 2.5 of the Guide for New Listing Applicants issued by the Stock Exchange
“PBOC”	People’s Bank of China (中國人民銀行)
“Post-IPO Share Plan”	the share plan conditionally adopted and approved by our Shareholders on July 26, 2024, the principal terms of which are set out in the section headed “Statutory and General Information – D. Share Incentive Schemes – 2. Post-IPO Share Plan” in Appendix IV in this Prospectus

DEFINITIONS

“PRC GAAP”	People’s Republic of China Generally Accepted Accounting Principles (《中華人民共和國公認會計準則》)
“PRC government”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Zhong Lun Law Firm, acting as legal counsel as to PRC laws to our Company
“Pre-IPO Investments”	the investments made by the Pre-IPO Investors, the principal terms of which are summarized in “History and Corporate Structure – Pre-IPO Investments” in this Prospectus
“Pre-IPO Investors”	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in “History and Corporate Structure – Pre-IPO Investments” in this Prospectus
“Pre-IPO Share Plan”	the share plan approved by the Board on September 7, 2016, as amended from time to time, the principal terms of which are set out in the section headed “Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Plan” in Appendix IV in this Prospectus
“Preferred Share(s)”	Series A Preferred Share(s), Series A-1 Preferred Share(s), Series A-2 Preferred Share(s), Series B-1 Preferred Share(s), Series B-2 Preferred Share(s), Series B-3 Preferred Share(s), Series B-4 Preferred Share(s), Series B+ Preferred Share(s), Series C Preferred Share(s) and Series C+ Preferred Share(s)
“Price Determination Date”	the date, expected to be on or about Tuesday, August 6, 2024, on which the Offer Price will be determined and, in any event, not later than 12:00 noon on Tuesday, August 6, 2024
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Regulation S”	Regulation S under the US Securities Act

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Ruby Wealth”	Ruby Wealth International Limited, a limited liability company incorporated under the laws of the BVI and wholly owned by Mr. Liu
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	State Administration for Market Regulation of the PRC (國家市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (the “SAIC”))
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Share(s)”	the series A preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 71,000,000 shares are in issue as of the Latest Practicable Date
“Series A-1 Preferred Share(s)”	the series A-1 preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 42,388,282 shares are in issue as of the Latest Practicable Date
“Series A-2 Preferred Share(s)”	the total of one series A-2 preferred share of par value US\$0.0001 which was forfeited and canceled on January 7, 2022 as detailed in “History and Corporate Structure – Pre-IPO Investments” in this Prospectus, and none of which is in issue as of the Latest Practicable Date
“Series B-1 Preferred Share(s)”	the series B-1 preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 54,977,656 shares are in issue as of the Latest Practicable Date
“Series B-2 Preferred Share(s)”	the series B-2 preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 6,000,000 shares are in issue as of the Latest Practicable Date

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“Series B-3 Preferred Share(s)”	the series B-3 preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 24,557,864 shares are in issue as of the Latest Practicable Date
“Series B-4 Preferred Share(s)”	the series B-4 preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 23,959,003 shares are in issue as of the Latest Practicable Date
“Series B+ Preferred Share(s)”	the series B+ preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 49,315,790 shares are in issue as of the Latest Practicable Date
“Series C Preferred Share(s)”	the series C preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 75,780,089 shares are in issue as of the Latest Practicable Date
“Series C+ Preferred Share(s)”	the series C+ preferred share(s) of par value US\$0.0001 per share in the authorized share capital of our Company, of which 66,314,154 shares are in issue as of the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Boyou”	Shanghai Boyou Intelligence Co., Ltd. (上海博又智能科技有限公司), a company established under the laws of the PRC with limited liability on January 16, 2017, our indirect wholly-owned subsidiary
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share Plans”	the Pre-IPO Share Plan and the Post-IPO Share Plan
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)

DEFINITIONS

“Single Largest Shareholder”	means Mr. Shan, who will control the exercise of the voting rights of approximately 21.68% of our total issued share capital immediately upon the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued under the Share Plans)
“Specialist Technology Company”	has the meaning ascribed to it under the Listing Rules
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the PRC State Council (中華人民共和國國務院)
“SummitView Capital (M&A)”	an investment team with 7 individuals (including Wu Ping, Pan Jianyue, Bernard Anthony Xavier), who are all Independent Third Parties
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Track Record Period”	the period comprising the three financial years ended December 31, 2021, 2022 and 2023, and the three months ended March 31, 2024
“Triumphant Star”	Triumphant Star Global Limited (凱星環球有限公司), a limited liability company incorporated under the laws of the BVI which was wholly owned by Mr. Shan prior to its merger with our Company on March 18, 2024 and ceased to exist on even date
“TSMC”	Taiwan Semiconductor Manufacturing Company Limited (台灣積體電路製造股份有限公司) and its various subsidiaries and associates, which is one of our suppliers and an independent third party
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United Path”	United Path Investments Limited (道同投資有限公司), a limited liability company incorporated under the laws of the BVI, which was beneficially owned by Ms. Pan, Mr. Gu Qun (a former employee of the Group and Independent Third Party) and Mr. Xiong Chengyu (an employee of the Group and Independent Third Party) prior to its merger with our Company on March 18, 2024 and ceased to exist on even date
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“Wuhan Black Sesame Intelligent”	Wuhan Black Sesame Intelligent Information Technology Co., Ltd. (武漢黑芝麻智能信息技術有限公司), a company established under the laws of the PRC with limited liability on April 26, 2024, our indirect wholly-owned subsidiary
“%”	per cent.

In this Prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this Prospectus have been subject to rounding. 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, laws or regulations have been included in this Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this Prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“ACC”	adaptive cruise control, a type of ADAS for road vehicles that automatically adjusts the vehicle speed to maintain a safe distance from vehicles ahead
“ADAS”	advanced driver-assistance system, any of a groups of electronic technologies that assist drivers in driving and parking functions
“ADSP”	autonomous driving solution platform
“AEB”	autonomous emergency braking, a system which can automatically detect a potential forward collision and activate the vehicle braking system to decelerate a vehicle with the purpose of avoiding or mitigating a collision
“APA”	automatic parking assist, an autonomous car-maneuvering system that moves a vehicle from a traffic lane into a parking spot to perform parallel, perpendicular, or angle parking
“API”	application programming interface, a type of software interface offering a service to other pieces of software
“ASIC”	application specific integrated circuit, an IC chip customized for a particular use, rather than intended for general-purpose use, such as a chip specifically designed for autonomous driving purposes
“ASPICE”	automotive software process improvement and capability determination, an industry-standard guideline for evaluating software development processes
“ATE”	automatic test equipment, the apparatus that performs tests on a device, including semiconductor device such as IC

GLOSSARY OF TECHNICAL TERMS

“automotive-grade”	an automotive-grade chip refers to a chip that is specifically designed, manufactured and qualified to meet the stringent requirements and standards of the automotive industry (such as AEC-Q100 and ASIL), which usually comes with a wide range of operational temperature range from -40~125°, service life of 10-20 years, high environmental adaptability, and requires very low failure rate to ensure safety of the automobiles. According to Frost & Sullivan, “automotive-grade” is commonly used in the automotive industry
“automotive OEM”	the original equipment manufacturer, which assembles and installs automotive parts during the construction of a new vehicle. According to Frost & Sullivan, the term “automotive OEM” is commonly used and recognized in the autonomous driving industry
“AVP”	autonomous valet parking, a mechanism by which cars can park themselves in designated or shared spots across parking lots once passengers disembark at a drop-off zone
“BEV”	bird’s-eye view, an elevated view of an object or location from a very steep viewing angle, creating a perspective as if the observer were a bird in flight looking downwards
“body control”	monitoring and controlling of various electronic accessories in a vehicle’s body
“BSD”	blind side detection, a system that can help monitor the blind spot of the driver and avoid hazardous situations
“CANFD”	controller area network flexible data-rate, a data-communication protocol used for broadcasting sensor data and control information on two wire interconnections between different parts of electronic instrumentation and control system
“CMS”	collision mitigation braking system, an ADAS that monitors surroundings, and if it detects a potential front collision, it warns the driver to apply the brakes to minimize the likelihood of impact

GLOSSARY OF TECHNICAL TERMS

“CPU”	central processing unit, a complex set of electronic circuitry that runs the machine’s operating system and apps
“design win”	refers to an achievement when a company’s product is selected and approved for inclusion in a specific vehicle model or automotive system by an OEM or Tier 1 supplier. According to Frost & Sullivan, “design win” is commonly used in the automotive industry
“DMS”	driver monitoring system, a vehicle safety system to assess the driver’s alertness and warn the driver if needed and eventually apply the brakes
“DSP”	digital signal processor, a specialized microprocessor chip, with its architecture optimized for the operational needs of digital signal processing
“DVR”	digital video recorders, an electronic device that records video in a digital format to a local or networked mass storage device
“E/E architecture”	electrical/electronic architecture, the convergence of electronics, software and wiring into one integrated system
“EfficientNet”	a convolutional neural network architecture and scaling method that uniformly scales all dimensions of depth/width/resolution using a compound coefficient
“EMMC”	embedded multi media card, a memory card standard used for solid-state storage
“EVITA”	E-safety Vehicle Intrusion Protected Applications, a set of standards that set out a recommend hardware and software architecture to satisfy safety requirements intended to mitigate the cybersecurity threats associated with typical connected car use cases
“EXW”	Ex Works, a pre-defined commercial shipping arrangement meaning that the seller’s only responsibility is making the goods available at the designated location

GLOSSARY OF TECHNICAL TERMS

“factory-installation”	any vehicle equipment or accessory or app or device or option or program when that is installed by the manufacturer (in contrast to equipment or accessory or app or device or option or program that may be installed by the owner or the dealer)
“FAD”	full autonomous driving
“FCW”	forward collision warning system, an ADAS that warns the driver of an impending collision by detecting stopped or slowly moved vehicles ahead
“FFC”	FinFET compact model, a model for circuit simulation required for designing FinFET-based ICs
“GPIO”	general-purpose input/output, an uncommitted digital signal pin on an integrated circuit or electronic circuit board which may be used as an input or output, or both, and is controllable by software
“GPU”	graphics processing unit, a specialized electronic circuit designed to manipulate and alter memory to accelerate the creation of images in a frame buffer intended for output to a display device
“HD”	high definition
“HDR”	high dynamic range, the set of technologies and techniques that allow to increase the dynamic range of images or videos
“HDRNet”	a machine learning process designed to learn, as intermediate representation, a local affine color transformation
“HF”	halogen free, a substance must consist of less than 900 parts per million (ppm) of chlorine or bromine and also have less than 1500 ppm of total halogens to be classified as halogen free

GLOSSARY OF TECHNICAL TERMS

“high-computing power SoC”	SoC with 50+ TOPS on INT8. According to Frost & Sullivan, the term “high-computing power autonomous driving SoC” is commonly used and recognized in the autonomous driving industry. This concept arises from the rapid advancement of autonomous driving technology, which has led to a growing demand for computing power resources to efficiently process massive amounts of data. Autonomous driving technology is advancing from level 2 to level 3, with 50 TOPS or above generally considered as the required computing power to potentially achieve Level 3 autonomous driving functionality. In this context, SoCs with a computing power of 50 TOPS are widely considered the threshold that distinguishes high-computing power autonomous driving chips from more common ones
“HMW”	headway monitoring warning, an ADAS that constantly monitors the distance, in seconds, to the vehicle ahead, and an alert is issued if the distance becomes unsafe, according to the fleet’s predefined threshold
“HPA”	home-zone parking assist, enabling drivers to have their vehicle park and exit parking spaces automatically
“HPP”	home zone parking pilot, the advance driver system that helps the driver to park the vehicle completely automatically
“HWA”	highway assist, an ADAS designed for limited-access highways
“HWP”	highway pilot, a combination of automated sub-systems for lateral and longitudinal vehicle control
“I/O interface”	the mediums in which data are sent from internal logic to external sources and from which data are received from external sources
“I2C”	inter-integrated circuit, a synchronous, multi-master/multi-slave, single-ended, serial communication bus
“I2S”	inter-IC sound, an electrical serial bus interface standard used for connecting digital audio devices together

GLOSSARY OF TECHNICAL TERMS

“IATF16949”	A technical specification aimed at the development of a quality management system which provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain and assembly process
“IC”	integrated circuit, a set of electronic circuits on one small flat piece (or “chip”) of semiconductor material, usually silicon
“ICE”	internal combustion engine vehicle
“INT8”	integer8, a data type in computer science, which stores whole numbers that can range in value from -2^{63} to $2^{63}-1$, for 18 or 19 digits of precision. Examples of other data types include INT16, INT32 and INT64. INT8 is used to save memory space more commonly than the other data types as it only requires a small storage capacity. INT8 is often used as the computational precision to test the computing power of chips because INT8 meets the requirements of most computing tasks
“IP”	intellectual property
“IP core”	a reusable unit of logic, cell, or integrated circuit layout design that is the intellectual property of one party
“ISO 9001”	an internationally accepted standard for quality management, made by the International Organization for Standardization
“ISO 26262”	an internationally accepted safety standard for automotive electronic and electrical products, made by the International Organization for Standardization. ISO 26262 uses automotive safety integrity level (ASIL) as the risk classification scheme
“ISP”	image signal processor, a type of media processor or specialized digital signal processor (DSP) used for image processing

GLOSSARY OF TECHNICAL TERMS

“L1”	level one of driving automation, namely driver assistance level, as classified by SAE International. Under L1, the vehicle features a single automated system for driver assistance, such as steering or brake/acceleration support to the driver
“L2”	level two of driving automation, namely partial automation level, as classified by SAE International. Under L2, the vehicle can provide both steering and brake/accelerating support to the driver
“L2+”	enhanced level two of driving automation, where autonomous driving technologies enable vehicles to function beyond basic L2 features, as defined by autonomous driving market participants, which is not an official classification of SAE International. According to Frost & Sullivan, it is a common industry practice to classify driving automation into more specific levels to give users a clearer understanding of the capabilities of a product or solution, and the term “L2+” has gained widespread acceptance in the autonomous driving industry as driving automation progresses from L2 to L3, with some functions surpassing L2 but not fully reaching L3. L2+ has more advanced features than L2, such as (i) Automated Lane Change (ALC), which actively detects vehicles in the blind spot and, when clear, performs a lane change movement at the driver’s request, and (ii) Navigation on Autopilot (NoA), which provides navigation-assisted driving in complex road environments, allowing the vehicle to autonomously drive to the requested destination
“L3”	level three of driving automation, namely conditional automation level, as classified by SAE International. Under L3, vehicles have “environmental detection” capabilities and can make informed decisions for themselves, such as accelerating past a slow-moving vehicle, but will not operate unless certain conditions are met

GLOSSARY OF TECHNICAL TERMS

“L4”	level four of driving automation, namely high automation level. Under L4, as classified by SAE International, vehicles can automatically drive under limited conditions, such as highways and parking lots, but drivers are still required behind the wheel
“L5”	level five of driving automation, namely full automation level, as classified by SAE International. Under L5, vehicles do not require human attention and can drive under all conditions
“LCC”	lane centering control system, an ADAS that keeps a road vehicle centered in the lane, relieving the driver of the task of steering
“LDW”	lane departure warning system, a mechanism designed to warn the driver when the vehicle begins to move out of its lane (unless a turn signal is on in that direction) on freeways and arterial roads
“LiDAR”	a remote sensing method that uses light to measure the distance or range of objects
“MCU”	microcontroller unit, a small computer on a single very large scale integration (VLSI) IC chip
“MIPI CSI-2”	camera serial interface-2, a specification of the Mobile Industry Processor Interface Alliance that defines an interface between a camera and a host processor
“MobileNet”	a type of convolutional neural network designed for mobile and embedded vision applications
“MP”	mega pixels, a unit of measurement equivalent to 1,000,000 pixels
“NEV”	new energy vehicle
“NN”	neural network, a machine learning algorithm, which is widely used in the automotive field such as image processing, data fusion and path planning, and is a widely used algorithm type in automotive chips

GLOSSARY OF TECHNICAL TERMS

“NoA”	navigate on autopilot, an active guidance feature for enhanced autopilot that, with driver supervision, guides a car from a highway’s on-ramp to off-ramp
“NPU”	neural processing unit, a microprocessor that specializes in the acceleration of machine learning algorithms, typically by operating on predictive models such as artificial neural networks (ANNs) or random forests (RFs)
“OS”	operating system, system software that manages hardware and software resources
“PCB”	printed circuit board, a medium used to connect electronic components to one another in a controlled manner
“PCIE”	peripheral component interconnect express, a high-speed serial computer expansion bus standard
“perception capability”	a core building block for autonomous driving which refers to the ability of an autonomous system to collect information and extract relevant knowledge from the environment
“pps”	pulse per second, an electrical signal that has a width of less than one second and a sharply rising or abruptly falling edge that accurately repeats once per second
“PWM”	pulse-width modulation, a method of controlling the average power or amplitude delivered by an electrical signal
“REACH”	registration, evaluation, authorisation and restriction of chemicals, the main European Union law to protect human health and the environment from the risks that can be posed by chemicals
“road-side autonomous driving market”	an emerging industry focused on developing and deploying autonomous vehicle technologies and infrastructure that facilitate self-driving on public roads

GLOSSARY OF TECHNICAL TERMS

“RoHS”	restriction of hazardous substances in electrical and electronic equipment, the European Union rules restricting the use of hazardous substances in electrical and electronic equipment to protect the environment and public health
“RPA”	remote parking assist, detecting parking spaces and can move the vehicle into and out of them
“SAE International”	a U.S.-based global association of engineering professionals in various industries with a focus on transport industries, which is widely acknowledged and adopted in the global automotive industry, according to Frost & Sullivan. SAE International classifies driving automation into six levels based on the extent of human intervention and the scope of the driving scenario, namely L0, L1, L2, L3, L4 and L5, with L5 being completely autonomous with no human intervention needed and L0 having no autonomous system control
“SD”	secure digital, a proprietary, non-volatile, flash memory card format that the SD Association developed for use in portable devices
“SDK”	software development kit, a set of software tools and programs provided by hardware and software vendors that developers can use to build applications for specific platforms
“SOA”	service-oriented architecture, a method of software development that uses software components called services to create business applications
“SoC”	system-on-chips, an integrated circuit that integrates most or all components of a computer or other electronic system
“SOM”	system-on-module, a board-level circuit that integrates a system function in a single module
“SOP”	start of production, the start of series production of vehicles or vehicle parts

GLOSSARY OF TECHNICAL TERMS

“SPI”	a standard for synchronous serial communication, used primarily in embedded systems for short-distance wired communication between integrated circuits
“tape-out”	the final result of the design process for integrated circuits before they are sent for manufacturing
“Tier 1 suppliers”	companies that supply parts or systems directly to automotive OEMs. Other types of suppliers in the automotive industry include Tier 2 and Tier 3 suppliers. Tier 2 suppliers supply to Tier 1 suppliers. Tier 3 suppliers supply to Tier 2 suppliers. According to Frost & Sullivan, the term “Tier 1 supplier” is commonly used and recognized in the autonomous driving industry
“toolchain”	a set of programming tools used to perform a complex software development task or to create a software product
“TOPS”	tera operations per second, a measurement of the overall performance of a supercomputer or a high-end circuit board containing multiple processors or SoCs
“UART”	universal asynchronous receiver-transmitter, a computer hardware device for asynchronous serial communication in which the data format and transmission speeds are configurable
“UNet”	a fully convolutional neural network that is designed to learn from fewer training samples
“USB”	universal serial bus, an industry standard that allows data exchange and delivery of power between many various types of electronics
“V2X”	vehicle-to-everything, referring to the communication between a vehicle and any entity that may affect, or may be affected by, the vehicle
“YOLO”	you only look once, a popular model architecture and object detection algorithm, producing high accuracy and overall processing speed

FORWARD-LOOKING STATEMENTS

This Prospectus contains, and the documents incorporated by reference herein may contain statements that are, or may be deemed to be, “forward-looking statements.” These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believe(s),” “aim(s),” “estimate(s),” “plan(s),” “project(s),” “anticipate(s),” “expect(s),” “intend(s),” “may,” “seek(s),” “can,” “could,” “ought to,” “potential,” “will” or “should” or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to “estimate(s)” only refer to situations where best estimates have been adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this Prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;

FORWARD-LOOKING STATEMENTS

- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments; and
- our dividend policy.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this Prospectus, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable laws, we undertake no obligation to revise any forward-looking statements that appear in this Prospectus to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this Prospectus. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this Prospectus and in particular the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, results of operations, financial condition or prospects. If any of these events occurs, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

In addition to other information in this Prospectus, you should carefully consider the following risk factors before making any investment decision in relation to our Shares. Any of the following risks may materially and adversely affect our business, results of operations or financial condition, or otherwise cause a decrease in the trading price of our Shares and cause you to lose part or all of the value of your investment in our Shares.

We are in the early stage of commercialization, with our SoCs going into mass production only in 2022. In addition, we have recorded operating loss since our inception, and expect to continue incurring adjusted net loss (non-IFRS measure) and operating loss for the years ending December 31, 2024 and 2025, respectively. We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to the research and development of our products and solutions; (ii) risks relating to our intellectual property rights; (iii) risks relating to the commercialization of our products and solutions; (iv) risks relating to the manufacturing of our products; (v) risks relating to our financial condition and need for additional capital; (vi) risks relating to our general operations; (vii) risks relating to conducting business in the PRC; and (viii) risks relating to the Global Offering.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, results of operations and financial condition. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISK FACTORS

RISKS RELATING TO THE RESEARCH AND DEVELOPMENT OF OUR PRODUCTS AND SOLUTIONS

If we are unable to develop and introduce new products and solutions, our future business, results of operations, financial condition and competitive position would be materially and adversely affected.

Our future business, results of operations, financial condition and competitive position depend on our ability to develop and introduce new and enhanced autonomous driving and cross-domain products and solutions that incorporate and integrate the latest technological advancements in sensing and perception technologies, software and hardware, and camera, radar, LiDAR, mapping, and deep learning technologies to satisfy evolving customer, regulatory, and safety rating requirements, despite our successful launch of several automotive-grade SoCs and solutions, such as our flagship Huashan A1000 Series SoCs. We may encounter significant unexpected technical and production challenges, or delays in completing the development of new and enhanced products and solutions and ramping up production in a cost-efficient manner, which require us to invest significant resources in R&D and also require that we:

- design innovative, accurate, and safety- and comfort-enhancing functions that differentiate our products and solutions from those of our competitors;
- continuously improve the reliability of our autonomous driving and cross-domain technologies;
- cooperate effectively on new designs and development with our customers, suppliers and partners;
- respond effectively to technological changes and product announcements by our competitors; and
- adjust to changing customer requirements, market conditions, and regulatory and rating standards quickly and cost-effectively.

If there are delays in, or if we fail to complete when expected or at all, the development of new and enhanced products and solutions, we may not be able to satisfy our customers' requirements, achieve additional design wins with existing or new customers, or achieve broader market acceptance of our products and solutions, our business, results of operations, financial condition and competitive position would be materially and adversely affected.

RISK FACTORS

We have been and intend to continue investing significantly in R&D, which may adversely affect our profitability and operating cash flow and may not generate the results we expect to achieve.

We are focusing our R&D efforts across several key products and solutions, such as automotive-grade SoCs and solutions. We have been investing heavily in our R&D efforts. Our R&D expenses amounted to RMB595.4 million, RMB764.1 million, RMB1,362.5 million, RMB266.5 million and RMB339.4 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in R&D to make technological advances in order to expand our offerings and make our products and solutions innovative and competitive in the market. As a result, we may continue to incur significant R&D expenses in the future.

However, we cannot guarantee that our efforts will deliver the benefits we anticipate or be recognized as expected. Development activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources including qualified R&D personnel. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our development results. New technologies could render our technologies, our technological infrastructure or products and solutions that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenues, profitability and market share.

Our R&D efforts may not contribute to our future results of operations for several years, if at all, and such contributions may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

We depend on contractual relationships with third parties for certain technologies, and our inability to use or obtain such technologies in the future would materially and adversely affect our business, results of operations, financial condition and competitive position.

We integrate certain technologies developed and owned by third parties into our products and solutions, such as certain IP cores for Huashan Series SoCs and Wudang Series SoCs, through agreements. Such third-party technologies are generally assistive in nature, and we are generally charged of a one-off licensing fee by such third parties. During the Track Record Period, we had IP licensing fees of RMB210.1 million, RMB33.8 million, RMB69.7 million, RMB16.7 million and RMB8.4 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, accounting for 35.3%, 4.4%, 5.1%, 6.3% and 2.5% of our total R&D expenses in the respective periods. See “Business – Research and Development – Key Research Projects – Third-party Technologies”.

RISK FACTORS

If we are unable to maintain our contractual relationships with such third parties on which we depend, or if we are unable to continue to use or obtain these technologies on reasonable terms, or if errors or other defects occur in these technologies, we may not be able to secure alternatives in a timely manner or at all, and, in turn, our business, results of operations, financial condition and competitive position would be materially and adversely affected.

In addition, if we are unable to successfully obtain technologies from third parties to develop future products and solutions, we may not be able to develop such products and solutions in a timely manner or at all. The operation or security of our products and solutions could be impaired if errors or other defects occur in the third-party technologies we use, and it may be more difficult for us to correct any such errors and defects in a timely manner, if at all, because the development and maintenance of these technologies is beyond our control. Any impairment of the technologies, or of our relationship with these third parties would materially and adversely affect our business, results of operations, financial condition and competitive position.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We may not be able to obtain or maintain adequate intellectual property rights protection for our product and solution candidates, or the scope of such intellectual property rights protection may not be sufficiently broad.

Our success depends in a large part on our ability to protect our proprietary technology as well as our product and solution candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in the PRC and other jurisdictions. As of the Latest Practicable Date, we owned 58 registered patents in China and 75 registered patents in the United States, and 120 patent applications in China and 43 patent applications in the United States. See “Business – Intellectual Property Rights.” The patent application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may however fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products and solutions in all such fields.

Specifically, patents may be invalidated, and patent applications may not be granted for several reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Moreover, the patent position of automotive-grade SoC and solution providers like us may be uncertain because it involves complex legal and factual considerations. Our patent applications may not be granted in the end. As such, we do not know the degree of future protection that we will have on our proprietary technologies, if any, and we may not be able to obtain adequate intellectual property protection with respect to our products and solutions.

RISK FACTORS

Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products and solutions in a non-infringing manner. The issuance of a patent is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC and other jurisdictions. Further, although various extensions may be available, the life of a patent and the protection it affords are limited. For example, in the PRC, invention patents and utility model patents are valid for 20 years and ten years from the date of application, respectively. We may face competition for any approved product or solution candidates even if we successfully obtain patent protection once the patent life has expired for the product or solution.

Any of the foregoing could materially and adversely affect our business, results of operations, financial condition, competitive position and prospects.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Our patent rights relating to our products and solutions could be found invalid or unenforceable if being challenged in court or before the CNIPA or related intellectual property agencies in other jurisdictions.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation. Defendant counterclaims alleging invalidity or unenforceability are commonplace, and can be asserted on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products and solutions or product and solution candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

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If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products and solutions or product and solution candidates. Such a loss of patent protection could materially and adversely affect our business.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the products or solutions involved.

Companies operating in automotive-grade SoC and solution industries routinely seek patent protection for their product and solution designs. Some of our competitors have large patent portfolios, and may claim that our expected commercial use of our products or solutions have infringed their patents. These patents have broad claims, so it might be alleged that certain features of our products or solutions fall within the claims of such patents. Therefore, our competitors may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of the relevant products or solutions.

Companies in automotive-grade SoC and solution industries may use intellectual property litigation to gain a competitive advantage. Whether a product or solution infringes a patent involves an analysis of complex legal and factual issues, the determination of which is often uncertain. We may hire employees who have previously worked for our competitors. There can be no assurance that such employees will not use their previous employers' proprietary know-how or trade secrets in their work for us, which could result in litigation against us. Our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement, regardless of their merit, could:

- be expensive and time-consuming to defend;
- require us to pay substantial damages to third parties;
- forbid us from making or selling products or solutions that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products or solutions;
- require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property, which agreements may not be available on terms acceptable to us or at all;
- divert the attention of our management; or

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- result in customers terminating, deferring or limiting their purchase of the affected products until resolution of the litigation.

In addition, new patents obtained by our competitors could threaten the continued life of the product or solution in the market even after it has already been introduced.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process and over the lifetime of the patent. Non-compliance events, including failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees, and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction. In any such event, our competitors might be able to enter the market, which would materially and adversely affect our business.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our products and solutions.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

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We may be unable to protect the confidentiality of our trade secrets, and we may be subject to claims that our employees or third parties have wrongfully used or disclosed alleged trade secrets owned by others.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and solutions and thus maintain our competitive position. We protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements, non-compete covenants or include such undertakings in the agreements with parties that have access to them. We also enter into employment agreements with our employees that include undertakings regarding assignment of inventions and discoveries. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will gain access to such information and make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Our employees or business partners might intentionally or inadvertently disclose our trade secret information to competitors, or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable.

We also seek to enter into agreements with our employees that obligate them to assign any inventions created during their work for us to us. However, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing. And it is possible that technology relevant to our business will be independently developed by a person that is not a party to such an agreement. Furthermore, if the employees who are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets and inventions through such breaches or violations. We may be involved in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and R&D personnel.

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RISKS RELATING TO THE COMMERCIALIZATION OF OUR PRODUCTS AND SOLUTIONS

We have a limited track record in commercialization of our products and solutions.

We did not generate revenue from our solutions until August 2018 and from our SoCs until August 2021. Therefore, we have a limited track record in launching, commercializing, sales and marketing of our products and solutions. Our ability to successfully commercialize our products and solutions may involve more inherent risks, take longer, and cost more than it would if we were a company with longer track record in launching and marketing. In particular, the commercialization of new products and solutions requires additional resources. The success of our sales and marketing efforts depends on our ability to attract, motivate and retain qualified and professional employees in our commercialization team who have, among other things, adequate automotive knowledge to communicate effectively with automotive professionals, sufficient experience in sales and marketing of our automotive-grade SoCs and solutions, and extensive industry connections with automotive OEMs. Furthermore, along with our market expansion after the commercialization of our products and solutions, we expect to hire more employees with relevant automotive experience and knowledge to strengthen our marketing and sales workforce. However, competition for experienced sales and marketing personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified sales and marketing personnel to support our business, our commercialization of our products and solutions may be adversely affected.

Due to our limited track record in commercialization of our products and solutions, there can be no assurance that our efforts seeking automotive OEM selection of our products and solutions will succeed, that the sales results of our products and solutions will meet our forecast even after we achieve design wins, that third parties will deploy and operate our products and solutions on the vehicle models effectively and meet overall user experience of the vehicle models, or that we be able to fully maintain quality control over our products and solutions, which, individually or collectively, would materially and adversely affect the commercialization of our products and solutions, and, in turn, would materially and adversely affect our business and results of operations.

There can be no assurance that our efforts seeking design wins for our products and solutions will succeed.

We invest significant effort from the time of our initial contact with an automotive OEM to the time when the automotive OEM chooses our products and solutions to incorporate into one or more specific vehicle models to be produced by the automotive OEM. We could expend significant resources pursuing, but fail to achieve, a design win for our products and solutions under development and commercialization stages. After a design win, it is typically difficult for a product, solution or technology that did not receive the design win to displace the winner until the automotive OEM issues a new request for quotation because an automotive OEM will generally not change complex technology already integrated in its systems until a vehicle model is revamped. In addition, the firm with the winning design may have an advantage with

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the automotive OEM going forward because of the established relationship between the winning firm and the automotive OEM, which would make it more difficult for that firm's competitors to win the designs for other production models. If we fail to win a significant number of automotive OEM design competitions in the future, our business, results of operations and financial condition would be adversely affected.

There is no guarantee that the sales results of our products and solutions would meet our forecast even after we achieve design wins.

In connection with our design wins, we typically receive preliminary estimates from automotive OEMs of their anticipated production volumes for the models relating to those design wins, while such estimates may be revised significantly by the automotive OEMs, potentially multiple times, and may not be representative of future production volumes associated with those design wins, which could be significantly higher or lower than estimated. Furthermore, automotive OEMs may take a long time to develop the models relating to those design wins, or may even delay or cancel such models. As a result, achieving design wins is not a guarantee of revenue, and our sales may not correlate with the achievement of additional design wins.

In addition, worsening market or other conditions between the time of a request for quotation and an order for our products and solutions may require us to sell our products and solutions for a lower profit than we initially expected. We may also face pricing pressures from our customers as a result of their restructuring, consolidation, and cost-cutting initiatives or as a result of increased competition. As a particular product or solution matures and unit volumes increase, we also generally expect its average selling price to decline. We may also be unable to generate sufficient production cost savings or introduce products and solutions with additional features and functionality at higher price points to offset price reductions.

If the sales results of our products and solutions for which we achieve design wins do not meet our forecast, our business, results of operations and financial condition would be materially and adversely affected.

We depend on a limited number of customers for a substantial portion of our revenue, and the loss of, or a significant reduction in sales to, one or more of our major customers would adversely affect our business, results of operations and financial condition.

Our major customers are automotive OEMs and Tier 1 suppliers. Revenue generated from our largest customer in each year or period during the Track Record Period accounted for 40.7%, 43.5%, 15.2% and 47.7%, respectively, of our total revenue for the respective year or period. Revenue generated from our five largest customers in each year or period during the Track Record Period accounted for 77.7%, 75.4%, 47.7% and 96.6%, respectively, of our total revenue for the respective year or period. Our business, results of operations and financial condition for the foreseeable future may continue to depend on sales to a relatively small number of customers. In the future, our current major customers may decide not to purchase our products or solutions, may purchase fewer of our products or solutions than they did in the

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past, or may alter their purchasing patterns. For example, automotive OEMs may discontinue incorporation of our products or solutions in their vehicle models, including as a result of a transition to in-house solutions or solutions provided by our competitors, or their individual or aggregate production levels may decline due to a number of factors, including supply chain challenges and macroeconomic conditions. Further, the amount of revenue attributable to any single major customer, or our major customer concentration generally, may fluctuate in any given period. If our major customers scale back or terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

The sales results of our products and solutions will partially depend on effective deployment and operation by third parties on, and overall user experience of, the vehicle models.

The sales results of our products and solutions will partially depend on our customers and partners effectively deploying and operating our products and solutions on the vehicle models in the future, and their failure to do so may result from factors beyond our control. Our products and solutions are technologically complex, incorporate many technological innovations, and are typically subject to significant safety testing, and automotive OEMs generally must devote significant resources to test and validate our products and solutions before including them in any particular vehicle model. The integration cycles of our products and solutions with new automotive OEMs are expected to be approximately one to three years after a design win, depending on the automotive OEM and the complexity of the product and solution. These integration cycles result in our investment of resources prior to realizing any revenue from a vehicle model. Our autonomous driving solutions control various vehicle functions including engine, transmission, safety, steering, navigation and braking, and therefore must be integrated effectively with the other systems of the vehicle developed by the automotive OEMs and Tier 1 suppliers, and we may be unable to achieve the requisite level of interoperability in a vehicle model for our solutions to be implemented even after a design win. In addition, the sales results of a vehicle model depend on overall user experience, including, among others, human machine interface, vehicle space, vehicle interior and operability, which are all beyond our control. Despite the effective deployment and operation, the vehicle models integrated with our products and solutions may generate poor sales results due to poor overall user experience of the vehicle models, which, in turn, affect the sales results of our products and solutions.

Any failures by third parties to effectively deploy and operate our products and solutions on the vehicle models, or the poor overall user experience of the vehicle models, would adversely affect our business, results of operations and financial condition.

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We may not be able to fully maintain quality control over our products and solutions.

The quality of our products and solutions depends on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the quality and reliability of equipment used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards. Any significant failure or deterioration of our quality control and quality assurance protocol could render our products and solutions unsuitable for use within the service life of the vehicles, cause safety concerns relating to our products and solutions that may result in physical injuries or fatalities to individuals, or harm our market reputation and relationship with business partners.

In addition, the quality of products manufactured by third party suppliers is beyond our control. We cannot assure you that the products we procure from our suppliers are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers. In the event of any quality issues, we could be subject to complaints and product liability claims and we may not be able to seek indemnification from our suppliers. If we engage in legal proceedings against our suppliers, such proceedings may be time consuming and costly regardless of the outcomes. Any such issues may materially and adversely affect our business, results of operations and financial condition.

The size of our addressable markets and the demand for our products and solutions may not increase as rapidly as we anticipate due to a variety of factors, which would materially and adversely affect our business, results of operations, financial condition and prospects.

We are pursuing opportunities in markets that are undergoing rapid changes, including technological and regulatory changes, and it is difficult to predict the timing and size of the opportunities for each of our products and solutions. See “– Risks Relating to Our General Operations – The industries that we operate in are highly competitive. If we fail to compete with our competitors, our business, results of operations and financial condition may be materially and adversely affected.”

This Prospectus contains estimates and forecasts concerning our industries, including estimates of the addressable markets of our current and anticipated future products and solutions, that are based on industry publications and reports or other publicly available information. These estimates and forecasts involve a number of assumptions and limitations, and are subject to significant uncertainty, and you are cautioned not to give them undue weight. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of the included information. We have not independently verified this third-party information. Similarly, our internal estimates and forecasts are based on a variety of assumptions, including assumptions regarding market acceptance of automotive-grade SoCs and solutions and the manner in which those new and rapidly evolving markets will develop. While we believe our assumptions and the data underlying our estimates and forecasts

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are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors. For example, the addressable market of our products and solutions would be adversely affected by the overall safety concerns on autonomous driving functions, and large scale recall of passenger vehicles by automotive OEMs to rectify autopilot features may adversely impact the demand for autonomous driving functions, which would indirectly affect the demand for the relevant systems and components. As a result, our estimates and forecasts may prove to be incorrect. If third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, the addressable markets for our products and solutions may be smaller than we have estimated, our future growth opportunities and sales growth may be smaller than we estimate, and our future business, results of operations and financial condition may be materially and adversely affected.

Our future financial performance will depend on our ability to make timely investments in the correct market opportunities. If one or more of these markets experience a shift in customer or prospective customer demand, then our products and solutions may not compete as effectively, if at all, and they may not be incorporated into commercialized end customer products. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or adoption rates for our products and solutions or the future growth of the markets in which we operate. Even if the automotive-grade SoC and solution markets grow substantially, there is no guarantee that demand for our products and solutions will correlate with that growth if we fail to effectively pursue such opportunities. There is also no guarantee that our business will be successful simply because of the future addressable markets of our products and solutions, or because of the trends of the addressable markets of our products and solutions. If demand does not develop or if we cannot accurately forecast customer demand, then the size of our markets, inventory requirements or our future business, results of operations and financial condition would be adversely affected. Furthermore, the execution of our growth strategies will incur substantial costs and require substantial resources. In particular, we may fund some of our expansion plans through our internal financial resources, such as cash flows from operations, and may also seek external equity or debt financings to implement them. If we seek debt financings for such plans, we may incur interest costs, which may affect our profit. In addition, we may not be able to manage our current or future operations effectively and efficiently to compete successfully in our existing markets or the new markets that we enter. We may also need to adjust our business plans and growth strategies from time to time, which could involve uncertainties. If our business plans and growth strategies fail to perform as expected, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE MANUFACTURING OF OUR PRODUCTS

We depend on TSMC to manufacture our SoCs.

We currently depend on TSMC to manufacture all of our SoCs. Because of the complex proprietary nature of our SoCs, any transition from TSMC to a new manufacturer or, if there were a disaster or other business disruption at any of TSMC's facilities involved in

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manufacturing our SoCs, introducing new facilities, would take a significant period of time to complete and would likely result in our having insufficient inventory and adversely affect our business, results of operations and financial condition. Further, we are vulnerable to the risk that TSMC may be unable to meet demand for our SoCs or cease operations altogether. Moreover, we are also vulnerable to the risk that TSMC may be unable to meet demand costs resulting from the global semiconductor shortage. See “– Risks Relating to The Manufacturing of Our Products – We may face supply chain risks and risks of interruption of requisite services, including, as a result of our reliance on a single or limited suppliers and vendors, for certain components, equipment and services.”

TSMC is located in Taiwan, and our ability to receive sufficient supplies of our SoCs could be adversely affected by events such as natural disasters in Taiwan, including earthquakes, drought and typhoons, and geopolitical challenges. Our ability to receive sufficient supplies of our SoCs could also be adversely affected by international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions. See “– Risks Relating to Our General Operations – We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.” These factors may also adversely affect the global supply of microchips and cause additional constraints on global automotive production.

We may face supply chain risks and risks of interruption of requisite services, including, as a result of our reliance on a single or limited suppliers and vendors, for certain components, equipment and services.

A large number of suppliers and vendors provide materials, equipment and services that are used in the production of our products and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials, equipment, and services, we rely on a single or a limited number of direct and indirect suppliers and vendors, or upon direct and indirect suppliers and vendors in a single location. In addition, direct and indirect supplier and vendor consolidation or business failures can impact the nature, quality, availability, and pricing of the products and services available to us. Further, the semiconductor industry has experienced, and may in the future experience, widespread shortages of substrates and other components and available foundry manufacturing capacity, which, combined with the long lead times associated with wafer production, may contribute to a shortage of semiconductors.

Our major suppliers are tapeout and technical services, IP core and hardware components providers. Charges from our largest supplier in each year or period during the Track Record Period accounted for 28.7%, 18.1%, 10.8% and 16.7%, respectively, of our total purchase amount for the respective year or period. Charges from our five largest suppliers in each year or period during the Track Record Period accounted for 68.2%, 50.9%, 43.4% and 58.8%, respectively, of our total purchase amount for the respective year or period. The stability of operations and business strategies of our suppliers are beyond our control, and we cannot assure you that we will be able to secure a stable relationship with such suppliers. Finding and qualifying alternate or additional suppliers and vendors is often a lengthy process and can lead

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to production delays, interruptions to our services, or additional costs, and such alternatives are sometimes not available at all. The inability of suppliers or vendors to deliver necessary production materials, equipment, or services can disrupt the production processes of our products and make it more difficult for us to implement our business strategy. Suppliers and vendors periodically extend lead times, face capacity constraints, limit supplies, increase prices, experience quality issues, or encounter cybersecurity or other issues that can interrupt or increase the cost of our supply and services. Production of our products can be disrupted by the unavailability of resources, such as water, silicon, electricity, gases, and other materials. The unavailability or reduced availability of materials or resources would require us to reduce production or incur additional costs, which would harm our business and results of operations.

We also rely on third-party providers to manufacture, assemble, and test certain components and products. From time to time, these third parties may become unable to perform these services on a timely or cost-effective basis, in sufficient volumes, or at all. In some cases, there are limited or no readily available satisfactory alternate providers. In any of these circumstances, we may encounter supply delays or disruptions or incur additional costs that could prevent us from meeting customer demand and/or adversely affect our business and financial condition. We typically have less control over delivery schedules, design and manufacturing co-optimization, manufacturing yields, quality, product quantities, and costs for components and products that are manufactured or supplied by third parties. Delays or quality issues with one component could limit our ability to manufacture the entire completed product.

Moreover, increased regulation or stakeholder expectations regarding responsible sourcing practices could cause our compliance costs to increase, or result in publicity that adversely affects our reputation. Moreover, given that we use several materials and services and rely on several suppliers and vendors, but do not directly control the procurement or employment practices of such suppliers and vendors, we could be subject to financial or reputational risks as a result of our suppliers' and vendors' conduct. To the extent we are unable to manage these risks, our ability to timely supply competitive solutions will be harmed, our costs will increase, and our business, results of operations and financial condition would be adversely affected.

Increases in costs of the materials and other components that we use in our products would adversely affect our business, results of operations and financial condition.

Significant changes in the markets in which we purchase materials, components, and supplies for the production of our products may adversely affect our profitability. As a result of the global semiconductor shortage and inflationary pressures, we may experience increases in the cost of our SoCs, and, therefore, our gross margin may decrease, at least in the short term, as a result of these cost increases. Competitive and market pressures limit our ability to recover increases in costs through increases in prices we charge to our customers. The inability to pass on price increases to our customers when raw material or component prices increase rapidly or are significantly higher than historic levels would adversely affect our business, results of operations and financial condition.

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In addition, the prices of our products depend on the bundle of applications that are included in the specific product, and our prices vary significantly across our products. Our products have different margin profiles, which vary between products depending on the amount, number, and type of components that we deliver. If we fail to maintain our products mix or maintain our gross margin and operating margin, our business, results of operations and financial condition would be adversely affected.

RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

We may not be able to obtain additional capital when desired, on favorable terms or at all.

A majority of our operating expenses are for R&D activities. Our capital requirements will be subject to many factors, including, but not limited to:

- technological advancements;
- market acceptance of our products and solutions and product and solution enhancements, and the overall level of sales of our products and solutions;
- R&D expenses;
- our relationships with our customers and suppliers;
- our ability to control costs;
- sales and marketing expenses;
- enhancements to our infrastructure and systems and any capital improvements to our facilities;
- potential acquisitions of businesses and product lines; and
- general economic conditions, inflation, rising interest rates, and international conflicts and their impact on the automotive industry in particular.

If our capital requirements are materially different from those currently planned, we may need additional capital sooner than anticipated. Additional financing may not be available on favorable terms, on a timely basis, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our operations as planned, develop or enhance our products and solutions, expand our sales and marketing programs, take advantage of future opportunities, or respond to competitive pressures.

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We expect to incur significant R&D expenditures and capital expenditures for our business operations, R&D and expansion plans, which may adversely affect our short-term cash flow, liquidity and profitability.

Our R&D expenditures were RMB593.5 million, RMB766.4 million, RMB1,419.4 million, RMB300.1 million and RMB331.7 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. See “Financial Information – R&D Expenditure and Total Operating Expenditure.” Our capital expenditures were RMB33.8 million, RMB71.1 million, RMB170.5 million, RMB52.7 million and RMB19.4 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. See “Financial Information – Capital Expenditure.” We expect to incur significant R&D expenditures and capital expenditures for R&D of our product and solution candidates, purchase of property, plant and equipment and purchase of intangible assets, thus enhancing our market position. Inherent risk exists for such significant R&D expenditures and capital expenditures as our investment may not succeed or generate the benefits that we expect, which could materially affect our profitability. Even if we achieve our goals for such investment, our short-term cash flow and liquidity may be adversely affected. While we intend to explore alternative arrangements to reduce the capital intensity of any future expansion, there is no assurance this will be successful.

We have incurred significant operating losses and adjusted net losses (non-IFRS measure) during the Track Record Period, and may not be able to achieve or subsequently maintain profitability in the near future, and we had negative equity or net deficit during the Track Record Period.

Since our inception, we have incurred operating losses. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, we had operating loss for the year or period of RMB722.7 million, RMB1,052.8 million, RMB1,696.9 million, RMB330.7 million and RMB439.3 million, respectively; we had net (loss)/profit for the year or period of RMB(2,356.5) million, RMB(2,753.9) million, RMB(4,855.1) million, RMB(1,106.7) million and RMB1,203.3 million, respectively; we had adjusted net loss (non-IFRS measure) for the year or period of RMB613.6 million, RMB700.3 million, RMB1,254.2 million, RMB245.6 million and RMB319.7 million, respectively. We may continue to incur adjusted net loss (non-IFRS measure) and operating loss in the short term, as we are in the stage of expanding our business and operations in the rapidly growing automotive-grade SoC and solution markets, and are continuously investing in R&D. We may not be able to achieve or subsequently maintain profitability in the near future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully and develop new products and solutions. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We also expect our costs and expenses to increase in future periods as we continue to expand our business and operations, and invest in R&D and geographic expansion. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

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Moreover, we had negative equity or total deficit of RMB3,662.3 million, RMB6,506.2 million, RMB11,093.6 million and RMB9,798.1 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively, primarily due to our preferred share liabilities. We expect to achieve a net assets position upon Listing, as the convertible redeemable preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into ordinary shares. Our net deficit position exposes us to liquidity risk. Our future liquidity, payment of trade and other payables, capital expenditure plans and repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have a net deficit position in the near future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations and financial condition.

We recorded net operating cash outflows historically and there can be no assurance that we will not have net cash outflow from operating activities in the future.

We recorded net cash outflow from operating activities of RMB639.3 million, RMB754.7 million, RMB1,057.8 million, RMB270.5 million and RMB281.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. See “Financial Information – Liquidity and Capital Resources – Net Cash Flows Used in Operating Activities.” We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, results of operations and financial condition may be adversely affected.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition and prospects.

During the Track Record Period, we benefited from government grants, many of which are non-recurring in nature or are subject to periodic review. As of December 31, 2021, 2022 and 2023 and March 31, 2024, the government grants we recognized as other payables and accruals amounted to RMB29.6 million, RMB60.0 million, RMB59.8 million and RMB48.7 million, respectively. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, the government grants we recognized as other income amounted to RMB18.1 million, RMB15.4 million, RMB22.5 million, RMB12.8 million and RMB5.9 million, respectively. In addition, operating in the automotive-grade SoC and solution industries, a number of our PRC subsidiaries enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. For example, Black Sesame Shanghai and Black Sesame Wuhan were recognized as high and new technology enterprises and were entitled to a preferential income tax rate of 15% instead of 25% from 2019 to 2024 and from 2022 to 2024, respectively. For more details of the preferential tax treatments, see Note 12 to the Accountant’s Report in Appendix I to this Prospectus.

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The PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received at any time, which could adversely affect our business, results of operations, financial condition and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations, financial condition and prospects.

Fair value changes in our financial instruments issued to investors and related valuation uncertainty due to the use of unobservable inputs may materially affect our results of operations and financial condition.

Our financial instruments issued to investors consist of (i) redeemable convertible preferred shares, (ii) warrants for purchase of ordinary shares, (iii) convertible notes, and (iv) commitment derivatives. See “Financial Information – Discussion of Key Items of Consolidated Statements of Financial Position – Financial Instruments Issued to Investors.” Specifically, we have historically issued several series of redeemable convertible preferred shares, consisting of Series A, Series A-1, Series B-1, Series B-2, Series B-3, Series B-4, Series B+, Series C and Series C+ Preferred Shares, to investors. As of December 31, 2021, 2022 and 2023 and March 31, 2024, the carrying amount of redeemable convertible preferred shares amounted to RMB5,094.1 million, RMB8,279.2 million, RMB12,589.5 million and RMB10,977.1 million, respectively. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, the fair value loss/(gain) of redeemable convertible preferred shares through profit or loss amounted to RMB1,563.8 million, RMB1,650.2 million, RMB2,867.1 million, RMB780.3 million and RMB(1,636.1) million, respectively. Upon the completion of this Global Offering, all of such preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing investors have the right to require us to redeem such preferred shares if this Global Offering is not consummated on or prior to certain date. For the identity and background of the foregoing investors, see “History and Corporate Structure – Pre-IPO Investments.”

The financial instruments issued to investors were recorded on a fair value basis. An independent valuer has been engaged to determine the fair value of financial instruments issued to investors. The option-pricing method and equity allocation model were adopted to determine the fair value of the redeemable convertible preferred shares, and the key valuation assumptions included risk-free interest rate, discounted of lack of marketability, discount rate, and expected volatility. The binomial option pricing model was adopted to determine the fair value of the warrants and convertible notes, and the key valuation assumptions included stock price of ordinary shares, dividend yield, time to maturity, risk-free interest rate and expected volatility. The forward pricing model was adopted to determine the fair value of the commitment derivatives, and the key valuation assumptions were risk-free interest rate. For details, see Note 3.3 to the Accountant’s Report in Appendix I to this Prospectus. Any change in the assumptions may lead to different valuation results and, in turn, lead to changes in the fair value of these financial instruments issued to investors. To the extent we need to revalue the financial instruments issued to investors prior to the closing of the Global Offering, any change in fair value of our financial instruments issued to investors and related valuation uncertainty due to the use of unobservable inputs could materially affect our results of operations and financial condition.

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Fair value change for financial assets at fair value through profit or loss may adversely affect our results of operations for future periods.

We recorded a carrying amount of financial assets at fair value through profit or loss (“FVPL”) of nil, RMB706.5 million, RMB29.0 million and RMB29.1 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Our financial assets primarily consist of Treasury Bonds and money market funds. For details, see Note 21 to the Accountant’s Report in Appendix I to this Prospectus.

We face exposure to fair value change for the financial assets at FVPL. We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our result of operations for future periods.

Failure to fulfill our obligations in respect of contract liabilities could adversely affect our liquidity and financial condition.

Our contract liabilities mainly represent cash collections in advance of fulfilling performance obligations. Our contract liabilities increased rapidly from RMB0.3 million as of December 31, 2021 to RMB5.7 million as of December 31, 2022, then to RMB7.5 million as of December 31, 2023, and further to RMB9.5 million as of March 31, 2024. See “Financial Information – Description of Major Components of Our Results of Operations.” There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

We are subject to credit risk related to delay in payment and defaults of customers or related parties, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our various customers or related parties. As of December 31, 2021, 2022 and 2023 and March 31, 2024, our trade and notes receivables amounted to RMB49.5 million, RMB125.2 million, RMB164.9 million and RMB143.9 million, respectively, and our prepayments and other receivables amounted to RMB95.5 million, RMB151.6 million, RMB115.2 million and RMB153.8 million, respectively. We may not be able to collect all such trade and notes receivables and prepayments and other receivables due to a variety of factors that are beyond our control, including long payment cycle of public sector customers, adverse operating condition or financial condition of customers, and customers’ inability to pay caused by their end users’ delay in payment.

If our customers or related parties delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity and financial condition would be adversely affected.

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We may be subject to inventory obsolescence risk.

Our business expansion requires us to manage a large volume of inventory effectively. Our inventories increased from RMB3.2 million as of December 31, 2021 to RMB72.8 million as of December 31, 2022, then decreased to RMB71.4 million as of December 31, 2023, and increased to RMB81.8 million as of March 31, 2024. Our inventories as of December 31, 2021 primarily consisted of finished goods for our autonomous driving products and solutions; our inventories as of December 31, 2022 and 2023 and March 31, 2024 primarily consisted of work in progress and finished goods of our mass-produced SoCs. Our inventory turnover days increased from 15 days in 2021 to 119 days in 2022, then increased to 137 days in 2023, and further increased to 918 days in the three months ended March 31, 2024. We cannot guarantee that our inventories can be fully utilized within their shelf life. See “Business – Logistics and Inventory Management – Inventory Management.” As our business expands, our inventory obsolescence risk may also increase commensurately with the increase in our inventories and our inventory turnover days.

We have granted and may continue to grant share-based awards, which may adversely affect our results of operations and financial condition.

We have adopted the Pre-IPO Share Plan to offer persons selected by our Company an opportunity to acquire a proprietary interest in the success of our Company, or to increase such interest, by acquiring Shares. See “Statutory and General Information – D. Share Incentive Schemes” in Appendix IV to this Prospectus. We recorded share-based payment expenses of RMB111.7 million, RMB339.5 million, RMB421.1 million, RMB80.7 million and RMB113.1 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. As a result, our share-based payment expenses may increase, which may adversely affect our results of operations and financial condition.

The share of profits or losses of our associates may affect our investments accounted for using the equity method and our results of operations and financial condition.

Our share of profits or losses of investments accounted for using the equity method is primarily related to our equity investment in our associates. As of March 31, 2024, the associates in which our investments accounted for using the equity method included Mairun, Guoqi and Lingtong. For details, see Note 18 to the Accountant’s Report in Appendix I to this Prospectus. Our share of losses of investments accounted for using the equity method in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024 amounted to RMB0.7 million, RMB1.0 million, RMB1.4 million, RMB0.2 million and RMB2.0 million, respectively. If the performance of the associates deteriorates, the amount of our share of results of associates may decrease, and we may record share of losses of investments in associates, which may adversely affect our results of operations and financial condition.

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In addition, our investments in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products. If no dividend is declared by the associates we have investments in, even if profits are reported under the equity method, there is no cash flow until dividends from the associates are received. The illiquidity nature of our investment in such associates may significantly limit our ability to respond to adverse changes in the performance of such associates, which may also adversely affect our results of operations and financial condition.

RISKS RELATING TO OUR GENERAL OPERATIONS

The industries that we operate in are highly competitive. If we fail to compete with our competitors, our business, results of operations and financial condition may be materially and adversely affected.

The automotive-grade SoC and solution industries in which we operate are highly competitive. We primarily compete with other companies that focus on developing and commercializing automotive-grade SoCs and solutions. If we compete with players that have a longer corporate operating history than us, or if we do not have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demand than our competitors.

We may also face competition from new entrants who may offer lower prices or new technologies, products and solutions, and thus increase the level of competition in the future. Increased competition could result in lower sales, price reductions, reduced margins or loss of market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining top scientists and innovative talents, and acquiring technologies complementary to, or necessary for, our current and future products and solutions in order to respond to such competitive threats, and we cannot assure you that such measures will be effective.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

We have a limited operating history, which makes it difficult to evaluate our business and prospects, and our historical growth may not be indicative of our future performance.

We have a limited operating history compared to some of our competitors. Our operations to date have focused on establishing our intellectual property portfolio and conducting R&D activities and the commercialization of our product and solution candidates. As of the Latest Practicable Date, certain of our products and solutions are still at various development stages.

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As a result of our limited operating history, and particularly in light of the rapidly evolving nature of our industries, it may make it difficult to evaluate our current business and reliably predict our future performance. Our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition and prospects, and we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors, and may not be able to achieve promising results in future periods. If we cannot address these risks and overcome these difficulties successfully, our business and prospects will suffer.

We may be subject to product liability claims if our products or solutions contain defects. We could incur significant expenses to remediate such defects, as a result, our reputation could be damaged and we could lose market shares, and our business, results of operations and financial condition may be adversely affected.

Products and solutions within the industry, such as those we develop, may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our products and solutions may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all. Some errors or defects in our products and solutions may only be discovered after they have been tested, commercialized and deployed by automotive OEMs, and we may incur substantial additional development expenses and incur costs relating to product recall, repair or replacement. Furthermore, these issues could potentially lead to lawsuits, including class actions, filed against us by automotive OEMs or other parties, exposing us to potential liabilities and damages. We may also experience revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could adversely affect our reputation, business, results of operations, and financial condition.

Given that many of our customers use our products and solutions in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue in our products and solutions could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, our customers may share information about their negative experiences on social media, which could damage our reputation and result in a loss of future sales. A claim brought against us by any of our customers would likely be time-consuming, costly to defend and may materially and adversely affect our reputation and brand, making it harder for us to sell our products and solutions.

If we are unable to attract, retain and motivate key individuals, our business, results of operations and financial condition would be materially and adversely affected.

Hiring and retaining key individuals, such as key management, technical staff, qualified executives, developers, engineers and sales representatives are critical to our business, in particular, to the R&D and commercialization of each of our products and solutions. The competition for highly skilled employees in our industries is increasingly intense. Changes in our management team would also disrupt our business. Our management and senior leadership

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team has significant industry experience, and their knowledge and relationships would be difficult to replace. See “Directors and Senior Management.” Changes in our management team may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified personnel. In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. See “Regulatory Overview – Laws and Regulations on Employment and Social Welfare.” To help attract, retain and motivate key individuals, employee incentives such as share incentive schemes have been, and will continue to be, an important part of our compensation. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, results of operations and financial condition.

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions and to the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could adversely affect our business. Acquired assets or businesses may not generate the financial or results of operations we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and expenses and harm our business generally. If we use our equity securities to pay for acquisitions or investments, we may dilute the value of our Shares. If we borrow funds to finance acquisitions or investments, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions and investments may also lead to significant amortization expenses related to intangible assets, impairment charges or write-offs. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to

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possible shareholders' approval, we may also have to obtain approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations, which could result in increased costs and delays.

Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

International expansion is a significant component of our growth strategy and may require significant capital investment in the future, which could strain our resources and adversely affect current performance, while adding complexity to our current operations. If any of our overseas operations, or our associates or agents, violate laws in the relevant jurisdictions, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations and financial condition.

We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.

Our operations are subject to deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Margins on sales of our products and services in certain countries and on sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. For example, on August 9, 2022, the U.S. government introduced the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022, which prohibits funding recipients from expanding semiconductor manufacturing in China. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect our and our technology partners' abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. If any of us, or our Shareholders, Directors, management personnel, employees and business partners, violate such laws, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations and financial condition.

Meanwhile, we are subject to the risk that we, our employees or any third parties that we engage to do work on our behalf in certain countries may take action determined to be in violation of anticorruption laws in any jurisdiction in which we conduct business, including the

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U.S. Foreign Corrupt Practices Act (“**FCPA**”). Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might adversely affect our reputation, business, results of operations and financial condition.

In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the “**EAR**”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce, which includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the “**Entity List**”). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met. If certain of our customers and suppliers are listed on the Entity List and subject to restrictions from sourcing or selling technologies, software, or products from/to us, there is no guarantee that we will be able to obtain as well as extend and maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers, or that such permits will cover all our existing and potential transactions with such customers and suppliers. We cannot be certain what additional export control actions the U.S. government may take that could impact our products, suppliers or customers. The U.S. government could further expand the scope of items subject to the EAR in a manner that captures our products. Additional actions could also take the form of additional designations on the Entity List, which could make our products subject to the EAR for certain transactions if involving those parties. Furthermore, other countries may continue to adopt semiconductor-focused export controls that could impact our products and operations. The aforementioned restrictions, and similar or more expansive restrictions or sanctions, including sanctions currently imposed or may be imposed in the future by the Office of Foreign Assets Control of the United States or other relevant authorities in other jurisdictions, may materially and adversely affect our customers’ and suppliers’ ability to acquire or use technologies, systems, software, devices or components that may be critical to their products, service offerings and business operations, which in turn may adversely affect our business, results of operations and financial condition.

In August 2023, President Joe Biden signed an Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (the “**Executive Order**”). In addition, the U.S. Department of Treasury issued a notice of proposed rulemaking (the “**NPRM**”) seeking public comment related to the implementation of the Executive Order. The NPRM proposes a regulatory framework for certain U.S. investments into China (including Hong Kong and Macau) in entities engaged in activities involving sensitive technologies critical to national securities in three sectors, namely, semiconductors and microelectronics, quantum information technologies, and artificial intelligence. The program would, pursuant to implementing regulations, prohibit U.S. persons from undertaking certain transactions and require notification by U.S. persons on certain investments. The NPRM proposes to exclude certain “excepted transactions,” such as passive investments into publicly traded securities. However, the NPRM does not itself implement the Executive Order. It will be followed by the final implementing regulations at a later stage in the process. As of the date of this Prospectus, this program has not gone into effect, with the exact scope and details of the program subject to further adjustments, and we cannot assure you

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that our business and operations will not be adversely affected in the future. If the final implementing rules expand the scope of the covered transactions or categories of technologies and products, or if any similar or more expansive restrictions imposed by the U.S. or other jurisdictions are adopted in the future, our business, results of operations, financial condition and prospects may be adversely affected.

Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, conditions in the autonomous driving solutions and autonomous driving SoCs markets, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our products and solutions. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects.

In particular, COVID-19 has materially and adversely affected the Chinese and global economy. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information – Impact of COVID-19.” There remain uncertainties about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts in the future if the pandemic and the resulting disruption were to extend over a prolonged period.

If we fail to obtain and maintain the requisite licenses and approvals required in any jurisdiction where we operate our business, results of operation and financial condition may be materially and adversely affected.

The industries we operate in are highly regulated. For example, under the current PRC regulatory scheme, a number of governmental authorities, including but not limited to the SAMR, MIIT and MOFCOM, jointly regulate major aspects of our industries. We are also required to obtain and maintain the requisite licenses and approvals required in other jurisdictions where we operate our business.

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As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all the licenses and made all the filings with competent governmental authorities in all material aspects that are essential to the operation of our business in China. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies or any of the laws, regulations and policies currently in effect due to changes in the relevant authorities' interpretation of these laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate our business, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed internet or mobile activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition. For further details on the requisite licenses and approvals for our business operations, see "Regulatory Overview."

Any failure to offer high-quality maintenance and support services for our customers may harm our relationships with them and, consequently, our business.

Our policy allows products with defects to be returned and exchanged by our customers within the warranty period. As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient customer support that meets our customers' needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers of our products and solutions. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or maintenance assistance. We also may be unable to modify the future scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors.

If we experience increased customer demand for support and maintenance, we may face increased costs that may harm our results of operations. If we are unable to provide efficient customer maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers, would harm our business.

If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customer, they also subject us to additional costs and expenses which

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we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers which would affect our business, results of operations and financial condition.

We have maintained insurance coverage which includes product liability insurance, fire damage insurance, goods in transit insurance, consequential loss insurance, and public liability insurance. While our Directors are of the view that the amount of our insurance coverage is in line with the customary standard in the industry and is adequate for our operations, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. For example, insurance covering losses from acts of war, terrorism, or natural disasters is either unavailable or cost prohibitive. In addition, our insurers will review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, results of operations, financial condition and prospects.

Our business and prospects depend on our ability to build our brands and reputation, which could be harmed by negative publicity with respect to any negative publicity regarding our Company, Directors, employees, branding or products and solutions, whether warranted or not, could adversely affect our business.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about our Company, Directors, employees, branding or products and solutions, whether warranted or not, may adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

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Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect the collection, use, storage, retention, transfer, disclosure, and other processing of data, could damage our reputation and deter current and potential customers and automotive OEMs from using our products and solutions.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. We are subject to a variety of laws and regulations relating to data security and privacy, as our business operations involve collection, use, storage, retention, transfer, disclosure and other processing of data, and procurement of data from third parties for training purpose. The interpretation and application of laws, regulations and standards relating to cybersecurity, data protection and privacy remain uncertain and are constantly changing, and these regulations are also affected by different interpretations or significant changes which leads to uncertainty about the scope of our responsibility in this regard. For instance, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “Data Security Law,” effective since September 1, 2021). The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals engaged in data-related activities. It also prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of the competent authorities in China. Besides, the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which was promulgated by Cyberspace Administration of China on July 7, 2022 and became effective on September 1, 2022, stipulates the obligation that before applying for the security assessment of outbound data transfer, data processors shall conduct a self-assessment of the risks in the outbound data transfer. And on November 7, 2016, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), effective since June 1, 2017), and pursuant to which, the state is to advance the development of a socialized service system for cybersecurity, and encourage related businesses and institutions to carry out cybersecurity services such as certification, testing and risk assessment. According to the Measures for Cybersecurity Review (《網絡安全審查辦法》), which was promulgated by the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce, the People’s Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the National Administration of State Secrets Protection, and the State Cryptography Administration on December 28, 2021 and became effective on February 15, 2022, entities meeting certain standards shall apply for a cybersecurity review. Meanwhile, the Network Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) and Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) further provide rules on network data security and automobile data process. Our PRC Legal Advisor confirms that the cybersecurity related laws and regulations would not

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have a material adverse impact on our business operations or the proposed Listing as of the Latest Practicable Date. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on information technology networks and systems for electronic communications among our personnel, customers, manufacturers and suppliers and for synchronization with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. If our information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. Failures in information technology systems, especially those related to automotive safety and associated data, could potentially lead to problems with our products and solutions, resulting in physical injuries or even fatalities to drivers, passengers, and other individuals. If we do not effectively resolve the issues in a timely manner, our business, results of operations and financial condition maybe materially and adversely affected, and we could experience delays in reporting our financial results.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. There can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, suppliers or other third parties, including, but not limited to, those in violation of anti-corruption or anti-bribery laws, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties could materially and adversely affect our business, results of operations, financial condition and prospects.

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Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems comprising organizational framework policies and procedures, financial reporting processes, compliance rules, and risk management measures we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring the prevention of fraud. See “Business – Risk Management and Internal Control.” Since our risk management and internal control systems depend on implementation by our employees, we cannot assure you that our employees or other related third parties are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, results of operations, financial condition and prospects could be materially and adversely affected.

We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

Our legal right to some leased properties may be challenged.

As of the Latest Practicable Date, we had not completed the filings for two of our lease agreements in China. Under the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We may be required by relevant government authorities to file the lease agreements for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for such non-registration exceeding such time limit. Additionally, as of the Latest Practicable Date, certain of our leased properties had title defects that could adversely affect our ability to

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continue using them in the future, including (i) one leased property for which the lessor had not provided us with valid property ownership certificate documents and which is on allocated land, and (ii) four leased properties where the actual use is inconsistent with the use registered on the relevant real estate certificates. Further, as our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close such offices. Our inability to enter into new leases or renew existing leases on terms acceptable to us could materially adversely affect our business, results of operations and financial condition.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in Chinese economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines could materially and adversely affect our business, results of operations, financial condition and prospects.

The majority of our business assets are located in China and substantially all of our sales are currently derived from China. Accordingly, our business, results of operations, financial condition and prospects are subject, to a significant degree, to the economic, political and legal developments of China. Political and economic policies of the Chinese government could affect our business and financial performance and may result in our being unable to sustain our growth. In recent years, the Chinese government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of enterprises operating in our industries. See “Regulatory Overview.” If the Chinese government continues to impose stricter regulations on our industries, we could face higher costs in order to comply with those regulations, which may affect our profitability.

The economy of China differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. China has been reforming the Chinese economic system, and has also begun reforming the government structure in recent years. Although these reforms have resulted in significant economic growth and social progress, we cannot predict whether changes in Chinese political, economic and social conditions, laws, regulations and policies will adversely affect our future business, results of operations, financial condition or prospects. Moreover, the Chinese government continues to play a significant role in regulating industrial development. It also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our industries and our Company.

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Uncertainties with respect to the Chinese legal system could materially and adversely affect us. The Chinese legal system is different from the legal systems in common law jurisdictions.

Our business and operations are primarily conducted in China and are governed by Chinese laws and regulations. The Chinese legal system is based on written statutes and their interpretation by the legislative bodies, the judicial authorities and the enforcement bodies. Prior court decisions may be cited for reference, but have limited weight as precedents. In recent years, the Chinese government has significantly enhanced the Chinese legislation and regulations to provide protection to various forms of foreign investments in China. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential value, enforcement of these laws and regulations involve uncertainties. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

You may encounter difficulty in effecting service of legal process upon us, our Directors and senior management and enforcing foreign judgments against us, our Directors and senior management.

We are a company incorporated in the Cayman Islands with substantial assets located within China. Most of our Directors and senior management reside in China and a majority of their assets are within China. As a result, it may not be possible for you to effect service of legal process within China on us or our Directors or senior management.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments in civil and commercial matters by courts with Japan, the United States, the United Kingdom or most other western countries. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “**Arrangement**”), pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties has a expressly written choice of court. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management.

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We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. Therefore, despite certain income at the holding company level, the availability of funds to pay dividends to our Shareholders largely depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

Chinese laws and regulations require that dividends be paid only out of distributable profits, which are our net profit as determined in accordance with PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient distributable profits, if any, to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could adversely affect our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

We may be considered a “Chinese resident enterprise” under the EIT Law, which could result in our global income being subject to a 25% Chinese enterprise income tax and gains on the sales of shares and dividends on the shares may be subject to Chinese income tax.

Our Company is incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in China. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within China are considered “Chinese resident enterprises” and thus will generally be subject to an EIT at the rate of 25% on their global income. On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC

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Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》, “**Circular 82**”), as amended on December 29, 2017, which sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by Chinese enterprises or Chinese enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a Chinese enterprise or Chinese enterprise group is considered a Chinese resident enterprise if all of the conditions apply.

Further to Circular 82, the SAT issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》, “**Bulletin 45**”), which took effect on September 1, 2011, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by Chinese enterprises or Chinese enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

However, the tax resident status of an enterprise is subject to determination by the Chinese tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body”. We may be recognized as a Chinese resident enterprise for the purpose of the EIT Law. In the event that the Chinese tax authorities subsequently determine that we should be classified as a resident enterprise, our worldwide income will be subject to income tax at a uniform rate of 25%. Accordingly, our income tax expense may increase significantly and our net profit and profit margin could be materially and adversely affected.

Further, withholding tax at 10% will normally apply to dividends payable to investors that are non-Chinese resident enterprise by Chinese resident enterprise or on gain recognized by the non-Chinese investors with respect to the sale of shares of the Chinese resident enterprise as such dividend or gain is derived from sources within China. Chinese withholding tax at a 20% rate may apply to dividends paid to and any gain realized by non-resident individual shareholders. If we are deemed by the Chinese tax authorities as a Chinese resident enterprise for tax purpose in the future, the dividends to be distributed by the Company and the gain with respect to the sale of shares of the Company may be regarded as income from “sources within China” and be subject to Chinese income tax, unless such tax is reduced by an applicable income tax treaty between China and the jurisdiction of the non-Chinese investors. It is unclear whether non-Chinese Shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and China and if we are required under the EIT Law to withhold Chinese income tax on our dividends payable to our Shareholders, or if our Shareholders are required to pay Chinese income tax on the transfer of the shares, the returns on our shareholders’ investment in our Shares will be reduced.

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Our dividend income from our foreign-invested Chinese subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and the EIT Rules, dividend payments from Chinese subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a Chinese tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income entered into between Hong Kong and the PRC (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Hong Kong Tax Treaty**”), are met, the withholding rate could be reduced to 5%. However, the SAT promulgated Circular of the State Administration of Taxation on Issues Concerning the “Beneficial Owners” under Tax Treaties (the “**Circular 9**”) on February 3, 2018, which provides that a “beneficial owner” is a person who has the ownership and control over the relevant income or the rights or properties that generate the relevant income. A beneficial ownership analysis will be made based on a totality of facts of each case and the “substance-over-form” principle to determine whether a recipient is entitled to tax treaty benefits. It is unclear whether Circular 9 applies to dividends from our Chinese operating subsidiaries paid to us. It is possible, however, that under Circular 9, the foreign shareholder of our Chinese operating subsidiaries would not be considered the “beneficial owner” of any such dividends, and that such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our results of operations and financial condition would be materially and adversely affected.

Governmental control over capital inflow/outflow, currency conversion and fluctuations in exchange rates may affect the value of your investment, result in investment losses, and limit our ability to utilize our cash effectively.

The Renminbi is not currently a freely convertible currency. We receive most of our payments from customers in Renminbi and may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the Chinese existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our Shareholders if the Chinese government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

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Most of our revenue and costs are denominated in Renminbi. We recorded net foreign exchange losses recognized in profit or loss of RMB1.4 million, RMB18.6 million, RMB15.1 million, RMB1.3 million and RMB0.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. We recorded currency translation gain/(loss) recognized in other comprehensive income of RMB62.8 million, RMB(396.6) million, RMB(148.3) million, RMB89.5 million and RMB(23.6) million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. Any significant revaluation of the Renminbi may materially and adversely affect our results of operations, cash flows and financial condition. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China and in international political and economic conditions. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the Chinese government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the Renminbi appreciates against other currencies significantly, and as we need to convert and remit the proceeds from the Global Offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our businesses, results of operations, financial condition and prospects.

Failure by our Shareholders who are Chinese individual residents to make required applications and filings pursuant to regulations relating to offshore investments by Chinese residents may prevent us from distributing dividends and expose us and our Shareholders who are Chinese residents to liability under Chinese law.

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the “SAFE Circular 37”), which was promulgated by SAFE and replaced SAFE circular No. 75 and became effective on July 4, 2014, requires a Chinese individual resident (“Chinese Resident”) to register with the local SAFE branch before contributing legitimate onshore or offshore assets in an overseas Special Purpose Vehicles for the purpose of offshore equity financing or investment. They must also make filings with SAFE thereafter upon the occurrence of certain changes in the capital structure.

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On February 13, 2015, the Circular of Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), the “SAFE Circular 13”) was promulgated by the SAFE and took effect on June 1, 2015. Pursuant to the SAFE Circular 13, the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment and the foreign exchange registration approval under overseas direct investment are canceled and direct investment-related foreign exchange registration including registrations under the SAFE Circular 37 is directly reviewed and handled by banks.

We cannot assure that the Chinese resident shareholders and beneficial owners will in the future complete the registration with the SAFE in a timely manner and obey the regulations on foreign exchange. If Chinese resident shareholders or beneficial owners contribute capital to an offshore special purpose vehicle without completing Circular 37 registration, the Chinese resident shareholders or beneficial owners shall be ordered by the foreign exchange control authorities to recover the foreign exchange within a stipulated period and be subject to a fine of not more than 30% of the amount of evaded foreign exchange; where the case is serious, a fine ranging from 30% of the amount of evaded foreign exchange to the equivalent value shall be imposed; where the case constitutes a criminal offense, criminal liability shall be pursued in accordance with the law. In addition, we may not at all times be fully aware or informed of the identities of all of our Shareholders and beneficial owners who are Chinese residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

Failure to comply with the requirements for employee stock incentive plans may subject the Chinese plan participants or us to fines and other legal or administrative penalties.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), the “SAFE Circular 7”), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the SAFE Circular 7 and other relevant requirements and regulations, Chinese residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The Chinese resident participants of stock incentive plans are required to retain a qualified Chinese agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by Chinese subsidiary) to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the Chinese agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the Chinese agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates the Chinese residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our Chinese

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employees who have been granted RSUs will be subject to these regulations. Failure of our Chinese share option holders or restricted shareholders to complete their SAFE registrations may subject these Chinese residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions may also limit our ability to contribute additional capital into our Chinese subsidiary, limit our Chinese subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in China will be subject to Chinese individual income tax upon exercise of the share options or grant of the restricted shares. Our China subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Chinese regulations of loans and direct investment by offshore holding companies to Chinese entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our Chinese subsidiaries.

Any loans provided by our offshore holding companies to our Chinese subsidiaries are subject to Chinese regulations and such loans must be registered with the local branch of SAFE. Additionally, if we finance such subsidiary by means of additional capital contributions, these capital contributions must be registered, reported or filed with certain government authorities, including the MOFCOM, SAMR and SAFE or their local counterparts. We cannot assure you that we will be able to complete registration, report or filing procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to complete such registration, report or filing procedures, our ability to make equity contributions or provide loans to our Chinese subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our Chinese subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial condition and results of operations.

There is uncertainty with respect to the indirect transfers of equity interests in our Chinese resident enterprises through transfers made by our Shareholders or our non-Chinese holding companies.

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”). Circular 7 provided

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comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “**Chinese Taxable Assets**”). For example, Circular 7 stated that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed for the purpose of avoiding EIT payment obligations and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will classify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity and market price of our Shares following the Global Offering may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares was the result of negotiations among us and the Joint Sponsor-Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied to list and deal in the Shares on the Stock Exchange. We cannot assure you that the Global Offering will result in the development of an active, liquid public trading market for the Shares. In addition, the price and trading volumes of the Shares may be volatile. The following factors may affect the trading volume and market price of our Shares:

- actual or anticipated fluctuations in our operating and financial results, such as turnovers, earnings and cash flow;
- changes in earnings estimate or recommendations by financial analysts; general market conditions or other developments affecting us or our industry;
- potential litigation or regulatory investigations;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other Shareholders.

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Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. Hang Seng Indexes have experienced significant fluctuations since July 2019. Such fluctuations, whether caused by market, industry or political factors, may materially and adversely affect the market price and trading volume of our Shares.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatilities in the price and trading volumes of our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

The Offer Price of the Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchases of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value, and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience further dilution of their interests if the Underwriters exercise the Offer Size Adjustment Option or the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. See “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the net proceeds from this Global Offering.

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The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors and/or existing Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial amount of our Shares, especially by our Directors and/or existing Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our existing Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. We cannot assure you that our existing Shareholders will not dispose of any Shares they may own now or in the future. See “History and Corporate Structure – Lock-up Periods” and “History and Corporate Structure – Pre-IPO Investments – 1. Overview” for details. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have negative impact on the market price of our Shares, and may result in losses on your investment in our Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this Prospectus.

This Prospectus, particularly the section headed Industry Overview, contains information and statistics relating to our industry. Such information and statistics have been derived from the Frost & Sullivan Report, which was commissioned by us, and from various official government publications and other publicly available publications. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, the Joint Overall Coordinators, the Capital Market Intermediaries, Joint Bookrunners, and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to their accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our Shares and trading volume could decline.

The trading market for our Shares may be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Shares, the market price for our Shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our Shares to decline.

As we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board of Directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board of Directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board of Directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions, and other factors deemed relevant by our Board of Directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct most of our operations in China and most of our assets are located in China. In addition, a majority of our Directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon these individuals, or to bring an action against us or against these individuals in Hong Kong in the event that you

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believe your rights have been infringed under the Hong Kong laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

Waivers and exemptions have been granted from compliance with certain requirements of the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance. Shareholders will not have the benefit of the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance that are so waived. These waivers and exemptions could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and each of the Stock Exchange and the SFC has granted to us, a number of waivers and exemptions from strict compliance with the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.” There is no assurance that the Hong Kong Stock Exchange or SFC will not revoke any of these waivers and exemptions granted or impose certain conditions on any of these waivers and exemptions. If any of these waivers and exemptions were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Our Company was incorporated under the laws of the Cayman Islands and these could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles, and by the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders could differ from those established under statutes or judicial precedent in Hong Kong or other jurisdictions with which minority Shareholders are more familiar. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. Shareholders may have different remedies in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions. Such differences could mean that minority Shareholders could have different protections than they would have under the laws of Hong Kong or other jurisdictions with which minority Shareholders are more familiar.

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You should read the entire Prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this Prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this Prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Prospectus, we disclaim responsibility for it, and you should not rely on such information.

Forward-looking statements contained in this Prospectus are subject to risks and uncertainties.

This Prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

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In preparation for the Listing, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Given that (i) our business operations are principally located, managed and conducted in the PRC and will continue to be principally based in the PRC; (ii) most of our Group's executive Directors and senior management team principally reside in the PRC and will continue to reside in the PRC; and (iii) the management and operation of our Group have mainly been under supervision of the executive Directors of our Company and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's business, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the following conditions to maintain regular and effective communication between the Stock Exchange and ourselves:

- (a) **Authorized Representatives:** We have appointed Mr. Shan and Mr. Sun Xiaoxiang (孫曉祥) (“**Mr. Sun**”) as our authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time.
- (b) **Directors:** When the Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication between the Stock Exchange, our Authorized Representatives and our Directors, we have implemented the following measures: (a) each Director will provide his/her mobile telephone number, office phone number, e-mail address and facsimile number (to the extent applicable) to the Authorized Representatives; (b) in the event that a Director expects to travel or is otherwise out of office, he or she will provide the telephone number of the place of his or her accommodation to the Authorized Representatives; and (c) we have provided the telephone number, e-mail address and facsimile number of each Director to the Stock Exchange. Each of our other Directors who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit and will be able to meet with the Stock Exchange within reasonable period of time.

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- (c) **Compliance Advisor:** We have appointed Maxa Capital Limited as our compliance advisor (“**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules, who will provide us with professional advice on continuing obligations under the Listing Rules and act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will be available to answer inquiries from the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

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We have appointed Mr. Sun and Ms. Kwok Siu Ying Sarah (郭兆瑩) (“**Ms. Kwok**”), as the joint company secretaries of our Company. See “Directors and Senior Management – Joint Company Secretaries” for further biographical details of Mr. Sun and Ms. Kwok.

Ms. Kwok is an associate member of The Hong Kong Chartered Governance Institute. She fully meets the qualification requirements stipulated under Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Accordingly, while Mr. Sun does not possess the qualification required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the arrangements below:

- (a) Mr. Sun will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;
- (b) both Mr. Sun and Ms. Kwok have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (c) Ms. Kwok will assist Mr. Sun to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;
- (d) Ms. Kwok will communicate regularly with Mr. Sun on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Kwok will work closely with, and provide assistance to, Mr. Sun in the discharge of his duties as a company secretary, including organizing our Board meetings and Shareholders’ general meetings;
- (e) upon expiry of Mr. Sun’s initial term of appointment for an initial period of three years from the Listing Date as the company secretary of our Company, our Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Sun’s appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;

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- (f) our Company has appointed Maxa Capital Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange and provide professional guidance and advice to our Company and Mr. Sun as to the compliance with the Listing Rules and all other applicable laws and regulations; and
- (g) the waiver can be revoked with immediate effect if there are material breaches of the Rules 3.28 and 8.17 of the Listing Rules by our Company.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Sun, having had the benefit of Ms. Kwok's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

WAIVER AND EXEMPTION IN RELATION TO THE COMPANY'S PRE-IPO SHARE PLAN

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and awards and their potential dilution effect upon listing as well as the impact on the earnings per share from the issue of shares in respect of such outstanding options or awards be disclosed in this Prospectus.

Under paragraph 27 of Appendix D1A to the Listing Rules, we are required to disclose in this Prospectus, particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, we are required to disclose in this Prospectus details of the number, description and amount of Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and the names and addresses of the persons to whom it or the right to it was given.

As of the Latest Practicable Date, our Company has granted options (the "**Options**") under the Pre-IPO Share Plan to an aggregate of 500 individuals (the "**Grantees**"), including three Directors, one senior management and one connected person of our Company, to subscribe for an aggregate of 156,847,868 Shares under the terms and conditions of the Pre-IPO Share Plan. For further details, see "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV to this Prospectus.

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We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Pre-IPO Share Plan and the Grantees on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the investing public for the following reasons:

- (a) given that 500 Grantees are involved, our Directors consider that it would be unduly burdensome to disclose full details of all the Options granted by us in this Prospectus, which would involve a substantial number of pages of content to be inserted into this Prospectus, significantly increasing the cost and timing for information compilation and Prospectus preparation;
- (b) the disclosure of key information of the Pre-IPO Share Plan, including (i) a summary of the latest terms of the Pre-IPO Share Plan; (ii) the aggregate number of Shares subject to the Options and the percentage of our Shares of which such number represents; (iii) the impact on earnings per Share upon full exercise of the Options immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised); (iv) the details of the Options granted under the Pre-IPO Share Plan by the range of underlying Shares, including the date of grant, the vesting period and the exercise price for the Options; and (v) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, in this Prospectus provides potential investors with sufficient information to make an informed assessment in their investment decision-making process. The above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Chapter 3.6 of the Guide for New Listing Applicants issued by the Stock Exchange; and
- (c) the lack of full compliance of the disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of any potential investors. Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of all Grantees without reflecting the materiality of the information does not provide any additional meaningful information to the investing public.

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In light of the above, our Directors believe that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not hinder potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the public investors.

The Stock Exchange has granted to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the options granted under the Pre-IPO Share Plan subject to the conditions that:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements by the SFC;
- (b) on an individual basis, full details of all the Options granted by our Company under the Pre-IPO Share Plan to (1) each of the Directors, senior management and connected persons of our Company; and (2) other grantees who have been granted options to subscribe for 3,000,000 Shares or more, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this Prospectus;
- (c) in respect of the Options granted by our Company to the remaining Grantees other than those referred to in sub-paragraph (b) above (the “**Other Grantees**”), disclosures are made on an aggregate basis, categorized into lots based on the number of Shares underlying each Other Grantee, being (1) 1 to 49,999; (2) 50,000 to 99,999; (3) 100,000 to 499,999; (4) 500,000 to 999,999; and (5) 1,000,000 to 2,999,999, and for each lots of Share, the following details will be disclosed in this Prospectus, (i) the number of the Other Grantees and number of Shares underlying the Options granted under the Pre-IPO Share Plan; (ii) the consideration of grant of the Options under the Pre-IPO Share Plan; and (iii) the exercise period and the exercise price of the Options granted under the Pre-IPO Share Plan;

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- (d) the aggregate number of Shares underlying the outstanding Options granted and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this Prospectus;
- (e) the potential dilution effect and the impact on earnings per Share upon the full exercise of the Options will be disclosed in the section headed "Statutory and General Information – D. Share Incentive Schemes" in Appendix IV to this Prospectus;
- (f) a summary of the principal terms of the Pre-IPO Share Plan will be disclosed in the section headed "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Plan" in Appendix IV to this Prospectus;
- (g) the particulars of the waiver are set out in this Prospectus; and
- (h) a full list of all the Grantees who have been granted Options (including the persons referred to in sub-paragraph (b) and (c) above), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this Prospectus.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the conditions that:

- (a) full details of all the Options granted by our Company under the Pre-IPO Share Plan to (1) each of the Directors, senior management and connected persons of our Company; and (2) other grantees who have been granted options to subscribe for 3,000,000 Shares or more are disclosed in this Prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the Options granted by our Company under the Pre-IPO Share Plan to the Other Grantees, disclosures are made on an aggregate basis, categorized into lots based on the number of Shares underlying each Other Grantee, being (1) 1 to 49,999; (2) 50,000 to 99,999; (3) 100,000 to 499,999; (4) 500,000 to 999,999; and (5) 1,000,000 to 2,999,999, and for each lots of Share, the following details be disclosed in this Prospectus: (i) the number of the Other Grantees and number of Shares subject to the Options; (ii) the consideration of grant of the Options under the Pre-IPO Share Plan; and (iii) the exercise period and the exercise price for the Options;

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- (c) a full list of all the Grantees (including the persons referred to in sub-paragraph (a) and (b) above) who have been granted Options to subscribe for Shares under the Pre-IPO Share Plan, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V to this Prospectus;
- (d) the particulars of the exemption are set out in this Prospectus; and
- (e) this Prospectus is issued on or before July 31, 2024.

Further details of the Pre-IPO Share Plan are set out in the section headed “Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Plan” in Appendix IV to this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

CSRC FILING REQUIREMENT

The CSRC issued notice of filing on November 9, 2023 for the Global Offering and listing of our Shares on the Stock Exchange. The notice of filing only confirms the filing information of our Company's overseas offering and listing, and does not represent that the CSRC makes any substantial judgment or guarantee about the investment value of our Company's securities or the proceeds of investors, nor does it indicate that the CSRC makes any guarantee or affirmation about the authenticity, accuracy and completeness of this Prospectus.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The Hong Kong Offer Shares are offered solely on the basis of the information contained, representations made, and on and subject to the terms and conditions set out, in this Prospectus. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares".

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Tuesday, August 6, 2024, subject to the Offer Price being agreed.

If, for any reason, our Company and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before 12:00 noon on Tuesday, August 6, 2024, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see “Underwriting” in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the Global Offering, (ii) the exercise of the Offer Size Adjustment Option and the Over-allotment Option and (iii) the Share Plans on the basis that, among other things, we satisfy the requirements under Rule 18C.03 of the Listing Rules as a Commercial Company (as defined in the Listing Rules) with reference to our expected market capitalization at the time of Listing, which, based on the Offer Price, exceeds HK\$6 billion.

No part of our Company's Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, August 8, 2024. The Shares will be traded in board lots of 100 Shares each. The stock code of the Shares will be 2533.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

ADMISSION OF THE SHARES INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Tricor Services (Cayman Islands) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in, our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Underwriting" in this Prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Unless indicated otherwise, (a) the conversion between Hong Kong dollars and Renminbi was made at the rate of RMB0.9133 to HK\$1.00, being the exchange rate published by the PBOC for foreign exchange transactions prevailing on July 22, 2024; (b) the conversion between Hong Kong dollars and U.S. dollars was made at the rate of HK\$7.8107 to US\$1.00, being the exchange rate calculated based on the exchange rates of RMB to HK\$ and RMB to US\$ published by the PBOC for foreign exchange transactions prevailing on July 22, 2024; and (c) the translation between Renminbi and U.S. dollars was made at the rate of RMB7.1335 to US\$1.00, being the exchange rate published by the PBOC for foreign exchange transactions prevailing on July 22, 2024. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors, see “Directors and Senior Management” in this Prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. SHAN Jizhang (單記章)	14530 Deer Park Court Los Gatos California 95032 United States	American
Mr. LIU Weihong (劉衛紅)	Room 901 No. 8, Lane 466 Tian Bao Road Shanghai China	Chinese
Mr. ZENG Daibing (曾代兵)	2E, Building 3 Haiyi Dongfang Garden Science and Technology Park Nanshan District Shenzhen China	Chinese
Non-executive Director		
Dr. YANG Lei (楊磊)	3A03, Building 3 Park 1872 Community Chaoyang District Beijing China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent non-executive Directors

Prof. LI Qingyuan (李青原)	Chuyuan, Hongjun Village No. 91 Donghu Road Shuiguo Lake, Wuchang Wuhan, Hubei China	Chinese
Prof. LONG Wenmao (龍文懋)	Room 402 Tsinghua University West Building 45 Beijing China	Chinese
Prof. XU Ming (徐明)	1404, Building 1 Jindihua Mansion No. 12 Yujiahu Road Wuhan China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors, Joint Overall Coordinators, Joint Sponsor-Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
Joint Overall Coordinator, Joint Global Coordinator and Joint Bookrunner	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road, Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Bookrunners	GF Securities (Hong Kong) Brokerage Limited 27/F, GF Tower 81 Lockhart Road, Wan Chai Hong Kong
	Futu Securities International (Hong Kong) Limited 34/F, United Centre No. 95 Queensway, Admiralty Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Manager

Tiger Brokers (HK) Global Limited
1/F, No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

Capital Market Intermediaries

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

**GF Securities (Hong Kong) Brokerage
Limited**
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Futu Securities International
(Hong Kong) Limited**
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

Legal Advisors to our Company

As to Hong Kong and U.S. laws:

Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:

Zhong Lun Law Firm
22-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District
Beijing 100020
China

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

As to U.S. export control law:

K&L Gates LLP
1601 K Street, NW
Washington, D.C. 20006
United States of America

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Joint Sponsors
and the Underwriters**

As to Hong Kong and U.S. laws:

Wilson Sonsini Goodrich & Rosati

Suite 1509, 15/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

JunHe LLP

26/F HKRI Centre One
HKRI Taikoo Hui
288 Shimen Road (No. 1)
Shanghai 200041
China

**Reporting Accountant and
Independent Auditor**

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

Frost & Sullivan Limited

Unit 3006, 30/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	P. O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Head Office and Principal Place of Business in the PRC	32nd floor Shenzhen State Investment Center 1278 Heping Avenue Qingshan District, Wuhan
Principal Place of Business in Hong Kong	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	<u>www.blacksesame.com.cn</u> <i>(The information contained in the website does not form part of this Prospectus)</i>
Joint Company Secretaries	Mr. SUN Xiaoxiang (孫曉祥) Lane 568, Puxing Highway Minhang District Shanghai China Ms. KWOK Siu Ying Sarah (郭兆瑩) <i>Associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom</i> Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Mr. SHAN Jizhang (單記章) 14530 Deer Park Court Los Gatos California 95032 United States

CORPORATE INFORMATION

Mr. SUN Xiaoxiang (孫曉祥)

Lane 568, Puxing Highway
Minhang District
Shanghai
China

Audit Committee

Prof. LI Qingyuan (李青原) (*Chairperson*)

Prof. LONG Wenmao (龍文懋)

Prof. XU Ming (徐明)

Remuneration Committee

Prof. LONG Wenmao (龍文懋) (*Chairperson*)

Prof. XU Ming (徐明)

Mr. SHAN Jizhang (單記章)

Nomination Committee

Mr. SHAN Jizhang (單記章) (*Chairperson*)

Prof. LONG Wenmao (龍文懋)

Prof. LI Qingyuan (李青原)

Compliance Advisor

Maxa Capital Limited

Unit 2602, 26/F

Golden Centre

188 Des Voeux Road Central

Sheung Wan

Hong Kong

Hong Kong Share Registrar

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

**Principal Share Registrar and
Transfer Office**

**Tricor Services (Cayman Islands)
Limited**

Third Floor, Century Yard

Cricket Square, P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

CORPORATE INFORMATION

Principal Banks

China Merchants Bank

Wuhan Qingshan Branch

Level 1, Yulong Times Centre

No. 1540 Heping Avenue

Qingshan District Wuhan City

Hubei Province

China

DBS Bank

12 Marina Boulevard

DBS Asia Central

Marina Bay Financial Centre Tower 3

Singapore

018982

INDUSTRY OVERVIEW

This and other sections of this Prospectus contain information relating to the industry in which we operate. Certain information and statistics set forth in this section have been extracted from the Frost & Sullivan Report issued by Frost & Sullivan, an independent market research agency, which we commissioned, and from various official government publications and other publicly available publications. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, the Joint Overall Coordinators, the Capital Market Intermediaries, Joint Bookrunners, and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to their accuracy.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

The information and statistics set out in this section and other sections of this Prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing an independent industry report in respect of the Global Offering. The information from Frost & Sullivan disclosed in the Prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of USD167,600, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

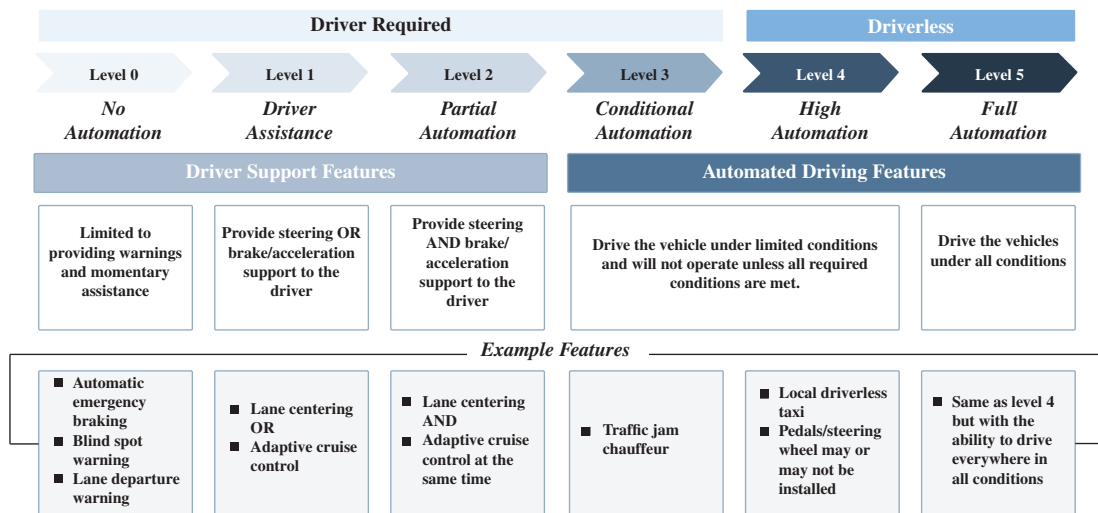
Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-effort basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

INDUSTRY OVERVIEW

OVERVIEW OF THE GLOBAL AND CHINA AUTONOMOUS DRIVING INDUSTRIES

Definition and Classification of Autonomous Driving

Autonomous driving technology refers to the application of a range of advanced software and hardware to enable vehicles to drive with little or no human intervention. Based on the extent of human intervention and scope of the driving scenarios, autonomous driving is classified by levels ranging from L0 to L5.



Source: SAE International, Frost & Sullivan

Systems enabling L1 to L2 (including L2+¹) automation is commonly known as Advanced Driving Assistance System (ADAS), while systems supporting L3 to L5 automation is known as Automated Driving System (ADS). Currently, autonomous driving technology is progressing towards L2+ functionality, which includes features like NOA (Navigate on Autopilot). This allows vehicles to automatically drive from the beginning to the end of a driver-set navigation route on highways or in urban areas, delivering a driving experience that is similar to Level 3 autonomous driving.

Global and China Autonomous Driving Vehicle Market

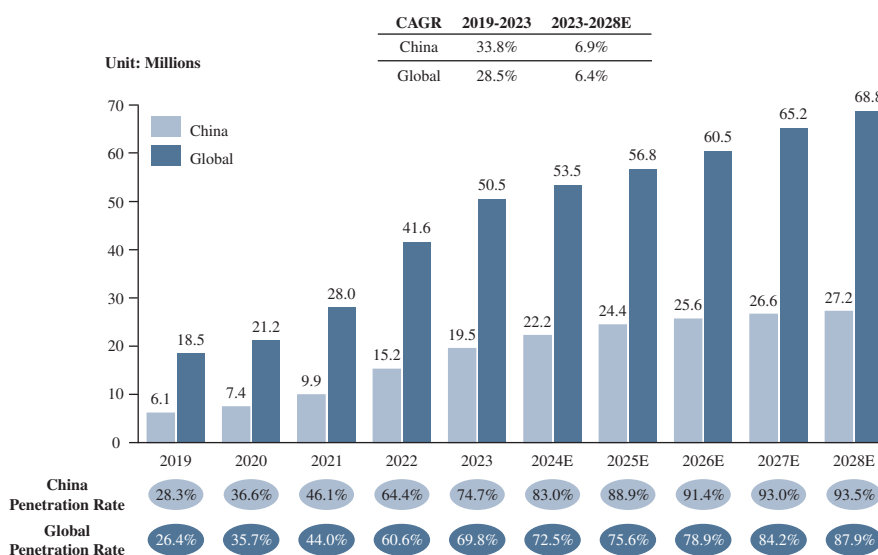
Autonomous driving technology is broken down by levels ranging from L1 to L5, corresponding to autonomous driving classification. L1 to L3 provide safety functions, driving assistance features, and improved user experience, which have been popular among consumers. L4 and L5, on the other hand, allow vehicles to operate without human intervention, which has the potential to significantly transform people’s travel experience and the transportation systems in the future.

¹ Autonomous driving technologies that enable vehicles to realize functions that beyond basic L2 features.

INDUSTRY OVERVIEW

In 2023, autonomous driving passenger vehicles had become popular worldwide, with a 69.8% penetration rate globally, and 74.7% in China. Among which, the penetration rate of L1, L2, L3-L5 vehicles in 2023 was 38.8%, 31.0% and 0.01% globally, respectively, and 32.6%, 42.1% and 0.01% in China, respectively. More affordable technologies and increasing customer acceptance led to the widespread use of autonomous driving passenger vehicles. According to Frost & Sullivan, the global sales volume of autonomous driving passenger vehicles is expected to reach 68.8 million by 2028, with a penetration rate of 87.9%. In China, both automotive OEMs and consumers have shown growing interest in autonomous driving passenger vehicles, and the sales volume in China is expected to reach 27.2 million with a penetration rate of 93.5% by 2028. The penetration rate of L1, L2, L3-L5 vehicles by 2028 is expected to reach 25.0%, 54.3% and 8.6% globally, respectively, and 11.1%, 69.9% and 12.5% in China, respectively.

Global and China Autonomous Driving Passenger Vehicle Sales Volume



Notes:

1. Autonomous driving passenger vehicle refers to passenger vehicles equipped with L1 to L5 autonomous driving technology.
2. The penetration rate is calculated by dividing the number of newly sold autonomous driving passenger vehicles in a given year by the total number of newly sold passenger vehicles for the same year.
3. The projected sales volume and penetration rate are determined by multiple factors, including advancements in technology, pricing trends, consumer preferences, government regulations, and the business plans of automakers.

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

INDUSTRY OVERVIEW

Autonomous driving technology also makes significant contribution to improving the driving safety of commercial vehicle, and is increasingly applied in commercial vehicles today. According to Frost & Sullivan, the sales volume of autonomous driving (from L1 to L5) commercial vehicle globally was 4.2 million units in 2023, with a penetration rate of 19.6%, and is expected to reach 13.8 million units by 2028 with a penetration rate of 59.4%. From the same source, the sales volume of autonomous driving (from L1 to L5) commercial vehicle in China were 1.0 million units in 2023 with a penetration rate of 24.8%, and the sales volume is expected to reach 3.5 million units by 2028 with a penetration rate of 68.9%.

Growth Drivers of Autonomous Driving

- ***Trend of automotive electrification.*** Electric vehicles are now widely regarded as the optimal choice for carrying advanced driving functions due to their precision, low latency and robust backup systems. The automotive industry's consensus on the importance of NEV development lays a strong foundation for advancing autonomous driving technology. The increasing penetration rate of NEVs foreshadows a corresponding expansion of the autonomous driving market. The sales volume of NEV in China was 9.0 million units in 2023 with a penetration rate of 34.6%, and is expected to reach 21.0 million units in 2028 with a penetration rate of 72.1%, driven by governmental policy supports, technological progress, consumer demand upgrading and the development of automotive electrification and intelligence, connectivity and sharing, with a CAGR of 18.4% from 2023 to 2028. Globally, the sales volume of NEV was 15.1 million units in 2023 with a penetration rate of 20.9%, and is expected to reach 46.1 million units in 2028 with a penetration rate of 58.9%, with a CAGR of 25.0% from 2023 to 2028.
- ***Wide recognition of autonomous driving functions.*** Autonomous driving technology has the potential to substantially reduce human errors and accidents on the road by utilizing comprehensive sensing capabilities to provide instant response. As vehicles equipped with ADAS functions become increasingly attractive to consumers, automotive OEMs invest heavily in further development of autonomous driving functions. Driven by both supply and demand, the autonomous driving vehicle market is experiencing rapid growth. Furthermore, advanced autonomous driving technology offers the possibility of optimizing traffic conditions and improving travel efficiency with the potential to transform the transportation industry.
- ***Continuous decrease in sensor costs.*** Benefiting from advancements in technology and the scale effect, the decreasing cost of sensors such as cameras and LiDARs makes autonomous driving features more affordable. This trend is expected to continue, which will further increase the affordability and popularity of ADAS vehicles, as well as the commercialization of ADS vehicles in the future.
- ***Favorable governmental policies.*** The autonomous driving technology has received support from major governments around the world. Specifically, as autonomous driving represents a key development focus in the future of the automotive industry, the Chinese government has introduced a series of policies and regulations aimed at fostering the growth of related industries.
 - Pursuant to the Intelligent Vehicle Innovation and Development Strategy (《智能汽車創新發展戰略》) published in February 2020, the PRC government plans to implement initiatives related to autonomous driving vehicles in intelligent vehicle technology innovation, industrial ecology, vehicle infrastructure, regulations, and network security.

INDUSTRY OVERVIEW

- In March 2022, the Ministry of Transport and the Ministry of Science and Technology jointly issued the Outline for the Mid- to Long-Term Development of Technological Innovation in the Transportation Sector (2021-2035) (《交通領域科技創新中長期發展規劃綱要(2021-2035年)》), outlining initiatives to promote the development and large-scale application of autonomous driving technology.
- In July 2023, the Ministry of Industry and Information Technology and the National Standards Committee released the Guidelines for the Construction of the National Standard System for the Connected Vehicle Industry (ICVs) (2023 Edition) (《國家車聯網產業標準體系建設指南》(智能網聯汽車)(2023版)), which delineates phased efforts to expedite the establishment of a new standard system for autonomous driving vehicles.
- In November 2023, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport jointly issued Notification regarding the Pilot Implementation of Intelligent Connected Vehicle Access and On-road Testing (《關於開展智能網聯汽車准入和上路通行試點工作的通知》). This initiative formalizes specific requirements for the admission standards of Level 3 and Level 4 autonomous driving, enhancing and refining associated regulations to elevate the performance and safety levels of autonomous driving vehicle products.

OVERVIEW OF THE GLOBAL AND CHINA AUTOMOTIVE CHIPS MARKET

Definition and Classification of Automotive Chips

Automotive chips are a crucial component of modern vehicles for data processing and vehicle control, supporting extensive applications in autonomous driving system, cockpit, chassis, powertrain and vehicle body. Automotive chips can be classified into computing chips, memory chips, sensor chips, communication chips and power chips. In 2023, the size of global market for automotive chips was estimated at approximately RMB355 billion. Today, the ongoing development of automotive electrification and intelligence has resulted in a growing demand for higher chip usage and better performance. With the ongoing development and growing demand, it is expected that the global automotive chip market will reach over RMB600 billion by 2030, representing a significant growth opportunity for the market players.

Global and China Market Size of Automotive-grade SoC Chips

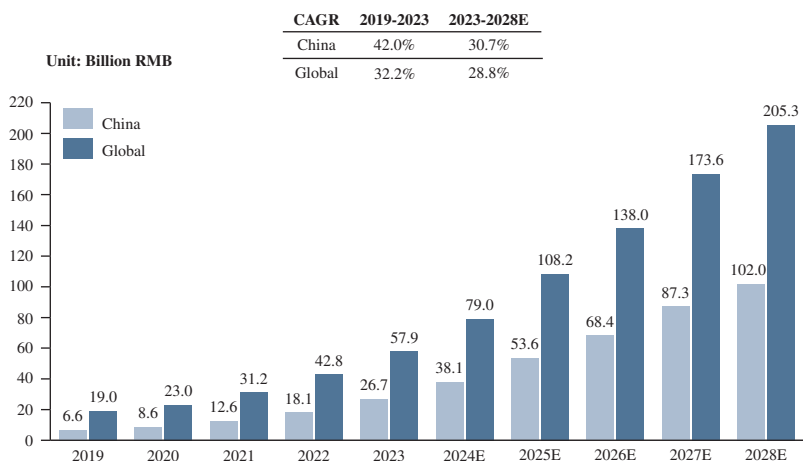
Computing chips – chips that process the signals collected by various sensors and send the driving signals to the corresponding control module – have become the current focus of the automotive industry. MCU and SoC are two typical types of computing chips. MCU refers to a type of traditional circuit design that contains only a single CPU (central processing unit) as the processor.

INDUSTRY OVERVIEW

SoC stands for System-on-Chip, a type of integrated circuit design that combines all the necessary components and subsystems required for a specific application or function into a single microchip. This includes components such as the CPU, GPU (graphics processing unit), ASIC (application-specific integrated circuit), and others, which are integrated onto a single chip instead of using separate components mounted to a motherboard, as is done in traditional electronics design.

As the automotive industry advances towards electrification and intelligence, traditional MCUs face challenges that they cannot effectively address, such as complex electronic and electrical architecture and massive data processing. SoC has emerged as a leading trend in automotive chip design and application, offering numerous advantages such as improved computing power, enhanced data transmission efficiency, reduced usage of chips and greater flexibility for software upgrades. The chart below shows the global and China automotive-grade SoC market size for the periods indicated.

Global and China Automotive SoC Market Size (2019-2028)



Note:

- The projected size of the automotive-grade SoC market is determined by various factors, such as the popularity of different types of SoCs, advancements in SoC technology, changes in SoC pricing and the business plans of automakers.

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

INDUSTRY OVERVIEW

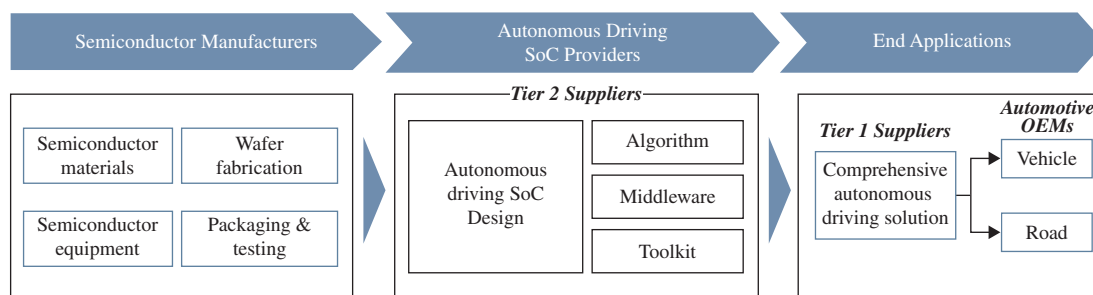
OVERVIEW OF THE GLOBAL AND CHINA AUTONOMOUS DRIVING SOC MARKETS

Definition of Autonomous Driving SoC

Autonomous driving SoC is a type of SoC designed specifically for autonomous driving features. It is usually integrated into a camera module or an autonomous driving domain controller to serve as the “central brain” of an autonomous driving vehicle. Autonomous driving functions generally involve three layers, namely, perception, decision-making and execution. Autonomous driving SoC is utilized in the decision-making layer, which is responsible for data processing and fusion from sensors in the perception layer. It then makes driving decisions in place of human drivers.

Autonomous Driving SoC Value Chain

The value chain of autonomous driving SoC and solutions industry mainly includes semiconductor manufacturing, autonomous driving SoC and solutions providers and end applications.



Source: Frost & Sullivan

- **Upstream:** The manufacturing of autonomous driving SoC involves semiconductor materials and equipment, wafer fabrication and packaging and testing. Advanced semiconductor manufacturing technology is conducive to improved chip performance.
- **Midstream:** SoC-based solution providers develop autonomous driving SoCs, which are the core components in autonomous driving solutions. A complete set of SoC-based solutions includes SoC hardware as well as comprehensive technical support and services, such as chips, basic software, middleware, algorithms and toolkits that enable the autonomous driving functions in vehicles.

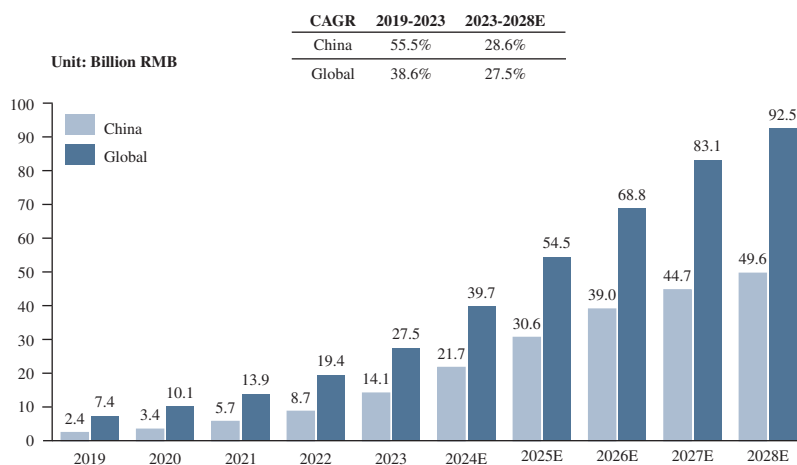
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- Downstream: Autonomous driving solution suppliers deploy autonomous driving SoC-based solutions in autonomous vehicles and on intelligent roads. The increase in the global sales volume of autonomous driving vehicles, including NEVs and traditional ICEs that adopt autonomous driving SoC solutions, provides potential for market growth in both autonomous driving SoCs and solutions. Autonomous driving SoCs can also be applied to intelligent roads as a complementary technical means to achieve autonomous driving.

Global and China Autonomous Driving SoC Market for ADAS Application

SoC plays an essential role in the performance of the ADAS vehicles. Driven by the increasing ADAS vehicle sales market, ADAS SoC market achieved rapid expansion in recent years. According to Frost & Sullivan, in 2023, the ADAS SoC market reached RMB27.5 billion globally and RMB14.1 billion in China. Driven by the further popularity of ADAS functions, the global ADAS SoC market is expected to reach RMB92.5 billion in 2028, with a CAGR of 27.5% from 2023 to 2028. China's ADAS vehicle sales market is at the stage of rapid growth, according to Frost & Sullivan, with the market size of ADAS SoC expected to reach RMB49.6 billion by 2028, with a CAGR of 28.6% from 2023 to 2028.

Global and China Autonomous Driving SoC Market Size for ADAS Application



Note:

- The projected size of the autonomous driving SoC market for ADAS applications is based on various factors, such as the penetration rate of autonomous driving SoC, the sales of ADAS vehicles, the pricing trends of autonomous driving SoCs and the strategies of automakers.

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

Global and China Autonomous Driving SoC Market for ADS Application¹

ADS vehicles are currently at the testing stage with pilot projects being conducted around the world. With more advanced autonomous driving capabilities and complex functionality, SoCs for ADS application typically provide greater value than SoCs in ADAS application. According to Frost & Sullivan, the global ADS SoC market is expected to reach RMB8.1 billion by 2026, and RMB45.4 billion by 2030, as a result of technological advancements and positive commercialization progress. China is expected to be the largest market in terms of the sales volume of ADS vehicles. The ADS SoC market in China is expected to reach RMB3.9 billion and RMB25.7 billion by 2026 and 2030, respectively.

Growth Driver of Autonomous Driving SoC

- *Increasing sales volume of autonomous driving vehicles.* The expansion of the ADAS SoC market is largely in line with the growth of the ADAS vehicle sales market. With the advancement of automotive intelligence, autonomous driving functions are expected to be the standard configuration of vehicles. The global ADAS vehicle sales market is currently in a rapid growth phase, and the continuous increase in sales will further drive the market growth of ADAS SoC and the corresponding solutions market. Additionally, the commercialization of ADS vehicles in the future will generate new market growth opportunities.
- *Increasing SoC value in single vehicle.* Autonomous driving functions can be extended through remote software upgrades. The computing power of an autonomous driving SoC determines the maximum extent of a vehicle's functional expansion throughout its life cycle. Therefore, automotive OEMs typically deploy SoCs with higher computing power support future autonomous driving upgrades. SoCs with greater computing power generally command higher prices in the market, resulting in an expected increase in the average value of SoCs per vehicle in terms of the percentage in total cost of an intelligent vehicle over the next few years.
- *Support from favorable policies.* Autonomous driving SoC is an advanced automotive-grade chip that plays a significant role in enabling autonomous driving. Major countries around the world pay close attention to the development of SoCs. In particular, the PRC government released the New Energy Vehicle Industry Development Plan (2021-2035) (《新能源汽车产业发展规划(2021-2035)》) to advance key technologies such as automotive-grade chips and intelligent computing platforms.

¹ The projected autonomous driving SoC market size for ADS application is based on a comprehensive analysis of several factors, including the timing of mass-commercialization of ADS vehicle, the sales volume of ADS vehicles, trends in autonomous driving SoC pricing and the strategies and plans of automakers.

Development Trend of Autonomous Driving SoC

- *Improving SoC performance.* The advancement and prevalence of autonomous driving functions require vehicles to process more data during operation. High-performance chips, especially those with strong computing power, have significant advantages in data processing capacity and speed. Consequently, there is a growing demand for high-performance chips in the automotive market. In response to this demand, autonomous driving SoC providers invest heavily in the development of high-computing power SoCs. They consider the energy efficiency ratio, cost, adaptability and flexibility of SoCs to comprehensively enhance the SoC performance.
- *Development of ASIC.* An Application Specific Integrated Circuit (ASIC) is a type of chip that is specifically designed for a particular logic function. Compared to traditional general-purpose chip solutions, ASICs offer several advantages such as low cost, high performance and low power consumption in mass production. In the long run, with the development of chips solutions and higher demand for processing capacities, the SoCs that adopt ASIC structure are expected to replace the traditional general-purpose chip solutions and become the mainstream choice for future autonomous driving SoC-based solutions.
- *Significance of self-developed IP cores.* An IP core is a pre-designed circuit module that can be integrated into a larger circuit. By creating their own IP cores, autonomous driving SoC providers can shorten the chip design process, reduce costs and improve performance and reliability. The ability to self-develop IP cores is considered to be key to the cutting-edge research capabilities of autonomous driving chips in a highly competitive industry. Providers of autonomous driving SoCs will continue to improve their research into IP cores in order to improve the competitiveness of their products.
- *Increasing adaptability of SoC-based solution.* With an increasing number of automotive OEMs creating their own autonomous driving systems, they are seeking greater options for customization of software and hardware. The adaptability of autonomous driving SoC-based solution plays a critical role in enabling this flexibility for automotive OEM customization. It is expected that autonomous driving SoC-based solution with higher levels of adaptability will enjoy a greater market share in the future.
- *Opportunity for domestic suppliers.* China is the largest and fastest-growing market for autonomous driving vehicles and autonomous driving SoCs, being at the forefront of applications such as the widespread deployment of high-power SoCs. Chinese automotive OEMs are actively collaborating with local autonomous driving SoC providers to build a secure and reliable local supply chain. As geographical proximity allows domestic firms to respond more efficiently to the latest market demands and customers' needs, the Chinese automotive OEMs may prefer domestic autonomous driving SoC providers in China.

Autonomous Driving SoC for Commercial Vehicles

Commercial vehicles present significant market potential for SoC applications, with a global sales volume of over 20 million units in 2023. In light of the increasing demand for road freight, the global sales volume of commercial vehicle is expected to reach 24 million units by 2030. However, traffic accidents involving commercial vehicles often result in greater loss of life and property damage compared to passenger vehicles due to factors such as larger size, more blind spots, poorer braking, greater weight and driver fatigue. To address these issues, several industry standards mandate the installation of intelligent safety configurations on commercial vehicles. With the growing demand for autonomous driving capabilities in the commercial vehicle sector, the requirements for autonomous driving functions are extending from emergency warning to advanced assisting features. SoC is essential for realizing these advanced autonomous driving functions, and as the demand for these capabilities in commercial vehicles continues to rise, the market prospects for SoC in commercial vehicle sector are expected to expand further. According to Frost & Sullivan, the global market size of SoC for commercial vehicle is expected to reach RMB7.4 billion by 2026, and RMB18.4 billion by 2030.

Autonomous Driving SoC-based Solution for Intelligent Road

SoC-based solution for intelligent road refers to a set of hardware and software including SoC, sensors, application algorithm and other technologies installed on road facilities to enable information interaction and sharing between vehicles and the facilities, enhancing the autonomous driving capabilities of vehicles. Currently, intelligent road projects are being piloted. Expansion of these programs and potential commercialization of the solution would provide additional market growth opportunities for autonomous driving SoC applications. With the advancement of 5G networks, the Internet of Things (IoT) and widespread adoption of autonomous driving vehicles, SoC-based solution for intelligent road is expected to rapidly develop in the coming years. According to Frost & Sullivan, the global market size for SoC-based solutions for intelligent roads is expected to reach approximately RMB15.2 billion by 2026 and further to RMB39.8 billion by 2030.

Entry Barriers for Autonomous Driving SoC Industry

- *Technology.* Developing autonomous driving SoCs is a challenging interdisciplinary engineering project. Companies that possess strong R&D capabilities are more competitive in this field. The major technological capabilities required include expertise in semiconductor and automotive engineering, experienced R&D teams and self-developed IP cores.
- *Developing cycle and investment.* Developing autonomous driving SoCs requires specialized skills, continuous improvement and substantial financial investment. As a result, successful development of autonomous driving SoCs requires significant amounts of capital investment over an extended period of time.

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- *Customer.* Autonomous driving SoCs shall be highly reliable and stable, which can only be achieved through technological collaboration with automotive OEMs and a series of long-term product verifications. Therefore, it is crucial for autonomous driving SoC providers to establish close collaborations with automotive OEMs.

Competitive Landscape of Global and China Autonomous Driving SoC Market

Major participants in the autonomous driving SoC industry

There are three major types of autonomous driving SoC providers in the autonomous driving SoC market, namely specific autonomous driving SoC providers, general chip providers, and automotive OEM self-developers.

- Specific autonomous driving SoC providers, which we mainly compete with, have a strong research focus on autonomous driving and possess comprehensive software and hardware development capabilities, allowing them to develop customized autonomous driving SoC-based solutions for various automotive OEMs. These providers primarily serve a diverse range of customers in the automotive sector. Their strengths lie in their high degree of specialization and economies of scale.
- General chip providers develop and deliver a broader range of chips compared to specialized autonomous driving SoC providers. Their offerings encompass various automotive chips or other chips for different applications, such as robotics, computers, data centers, cellphones and manufacturing. Therefore, these providers' focuses are not solely for autonomous driving, and they have a broad customer base across multiple industries.
- Certain automotive OEMs develop their in-house autonomous driving SoCs. This approach enables OEMs to fully customize the SoCs according to their specific needs. However, due to the high degree of customization and the competitive dynamics with other OEMs, these in-house developed SoCs are typically used solely in their own brand vehicles. As a result, they may face the risk of limited economies of scale.

To compete with such industry players, we have developed our proprietary IP core and technologies, providing robust perception and computational functionalities. Our Huashan series SoCs possess relatively high-computing power, while maintaining a balance in power consumption, cost, and adaptability, making them suitable for L2 to L3 autonomous driving vehicles. We also prioritize the safety of autonomous driving vehicles that utilize our SoCs and SoC-based solutions. Our autonomous driving SoCs are designed and manufactured in compliance with automotive-grade standards.

The development of autonomous driving SoCs poses significant technological barriers, requiring considerable investment in research and development, along with extended development cycles.

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Specific autonomous driving SoC providers can be divided into two main categories based on their product strategies and positioning. The first category includes those which initially develop autonomous driving SoCs with relatively low computing power to meet the needs of lower-level autonomous driving functions (L0-L2). After achieving a certain level of commercial success, these companies then proceed to develop high-computing power autonomous driving SoCs. The second category includes those which focus on advanced autonomous driving functions (L2/L2+ and above) from the beginning, specializing in the development of high-computing power SoCs. Due to the high technological barriers, extended development cycles, and significant capital requirements associated with high-computing power SoCs, companies in this category often offer other types of products and services in the early stages to maintain a steady revenue stream, thus enabling continued investment in the development of high-computing power SoCs.

General chip providers are typically well-established, large-scale companies. Some of these companies, which focus on consumer and industrial-grade chips for use in the sectors of consumer electronics and servers, have ventured into the automotive industry by modifying and enhancing non-automotive-grade chips to create early-stage autonomous driving SoCs. Subsequently, these companies persist in investing in the development of specialized automotive-grade SoCs. Moreover, certain companies have a long history of developing various automotive-grade chips, broadening their business range to include autonomous driving SoCs. However, the commercialization of high-computing power SoCs in this area has been relatively slow.

Autonomous driving SoCs require high-standard semiconductor manufacturing technologies, and currently are mainly manufactured by TSMC globally. There exists certain leading semiconductor manufacturers that have the capabilities to meet such demand and participate in the manufacturing of relevant products in the future. According to Frost & Sullivan, our current SoC products can be manufactured by such leading semiconductor manufacturers as well. We are currently dedicated to the development of high-computing power autonomous driving SoCs. However, in our early stages of SoC commercialization, we also participated in certain sales activities related to IP core licensing and algorithm-based solutions.

Global and China Autonomous Driving SoC Market Ranking

The key autonomous driving SoC market players in China include Horizon Robotics, HI-SILICON and us. The key autonomous driving SoC market players in other countries include NVIDIA, Mobileye, Qualcomm, Texas Instruments and Renesas. The tables below set forth comparisons among mainstream Chinese and international autonomous driving chips and solutions providers in 2023.

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Ranking of autonomous driving chips and solutions providers by revenue¹ from the China market, 2023²

Ranking	Provider	Market share in China, 2023
1	Company E ³	27.5%
2	Company A ⁴	23.7%
3	Company F ⁵	4.8%
4	Company B ⁶	3.6%
5	The Group	2.2%
6	Company C ⁷	1.8%
7	Company G ⁸	1.6%

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

Notes:

- 1 Revenue refers to revenue generated from autonomous driving chips and solutions, excluding revenue from license and services.
- 2 According to Frost & Sullivan, the autonomous driving chips and solutions market in China (i) is characterized by high volume of low-cost chips requiring less complicated technologies currently, while high-computing power SoCs with relatively high costs and more advanced technologies are expected to account for more market share gradually in the next few years, and (ii) has a high market concentration rate with five to ten major players, whose products come in different forms such as standalone chips, chips embedded with IP cores and support software and software-hardware bundled solutions. Therefore, to provide a fair overview of the competitive landscape of the market, the ranking is presented in terms of the major players' respective revenue from the China market.
- 3 Company E is a company developing autonomous driving technologies and providing AD SoC products. Company E was founded in 1999 and listed on Nasdaq in 2022.
- 4 Company A is a manufacturer of high-end graphics processing units (GPUs) founded in 1993 and listed on the Nasdaq in 1999.
- 5 Company F was founded in 1930 and listed on the Nasdaq in 1953. Company F is a provider of semiconductor chips for automotive, industrial robots, solar panels and satellites applications.
- 6 Company B is a provider of computing solutions for advanced driver assistance systems (ADAS), as well as AIoT solutions. Company B is a private company founded in 2015.
- 7 Company C is a private company incorporated in 1991 and mainly provides semiconductor products and services for smart devices, including smart vision, smart IoT, smart mobility, mobile SoCs, data centers, and optical transceivers.
- 8 Company G was founded in 2003 and listed on the Tokyo Stock Exchange. Company G provides semiconductor chips for automotive, industrial, home electronics, office automation, and information communication technology applications.

In 2023, the shipments of high-computing power SoCs in units in China and globally were around 1.5 million and 1.6 million, respectively. In the autonomous driving SoC market, various companies use different pricing tactics depending on their product performance, production capacity, and customer negotiation power. In general, chips with greater computational power are priced higher.

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Currently, autonomous driving technology is evolving from L2 to L3, with 50+ TOPS generally considered to be the computing power required to potentially achieve L3 autonomous driving functionality. Therefore, 50 TOPS SoCs are widely considered to be the threshold that differentiates high-computing power autonomous driving chips from more common ones. In 2023, the market size of high-computing power autonomous driving SoCs in China reached RMB6.0 billion, accounting for 42.2% of the total market size of autonomous driving SoCs in China.

Ranking of high-computing power¹ autonomous driving SoC shipment in units in China, 2023²

Ranking	Provider	Market share in China, 2023
1	Company A	72.5%
2	Company B	14.0%
3	The Group	7.2%
4	Company C	5.6%
5	Company D ³	0.4%

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

In 2023, the shipment of high-computing power SoCs reached 1.5 million units in China and 1.6 million units globally, and the Company captured a share of around 7.2% in China and 6.6% globally.

Notes:

- 1 SOC with 50+ TOPS
- 2 The market share for 2023 is calculated based on the shipments of high-computing power SoCs in units, taking into account of a series of factors such as product type, number of existing and potential customers, and sales volume of installed vehicles. According to Frost & Sullivan, it is a common practice in the autonomous driving industry and the automotive industry to use product shipment volume in units as an indicator to evaluate, compare and rank the market positions of SoC providers. The number of shipment volume usually reflects the acceptance and popularity of SoC provider's products and further implies the product performance and quality of a certain provider, according to the same source.
- 3 Company D was founded in 1985 and listed on the Nasdaq in 1991. Its portfolio includes products for processors, platforms, and connectivity.

The SoCs offered by the aforementioned players are primarily used in L2 (including L2+) and below vehicles. This is because L2 (including L2+) and below vehicles have been in commercial use for many years and represent the dominant segment in the autonomous driving industry. On the other hand, L3 and above vehicles are still in the early stages of commercialization and are mainly seen in pilot programs. In 2023, the SoC market size for ADAS application (L1 and L2 autonomous driving) reached RMB14.1 billion in China, while the SoC market size for ADS application (L3 and above) was only RMB0.01 billion in China.

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However, as autonomous driving technology is advancing to higher levels with a significant market opportunity, major market players are actively engaged in developing their SoCs for application in L3 and above autonomous driving scenarios.

Comparison of SoCs

The table below sets forth a comparison of mainstream autonomous driving SoCs already in mass-production designed by the Company and major Chinese and international competitors.

Chip ¹	A1000	A1000 L	A1000 Pro	Journey 2	Journey 3	Journey 5	Tegra Xavier	Tegra Orin
SoC provider	the Company	the Company	the Company	Horizon Robotics	Horizon Robotics	Horizon Robotics	Nvidia	Nvidia
Launch Time	June 2020	June 2020	April 2021	August 2019	September 2020	May 2021	January 2018	December 2019
Process node ²	16nm	16nm	16nm	28nm	16nm	16nm	12nm	7nm
Computing power (INT8, TOPS) ³	58	16	106+	4	5	N/A ⁴	30	254
Power Consumption	18W	15W	25W	2W	2.5W	30W	30W	45W
Camera channel number ⁵	16	8	20	2	6	16	8	16
ASIL ⁶	ASIL-B	ASIL-B	N/A	N/A	N/A	ASIL-B	ASIL-B	ASIL-B
AEC-Q100 ⁷	AEC-Q100 Grade 2	AEC-Q100 Grade 2	AEC-Q100 Grade 2 ⁸	AEC-Q100 Grade 2	AEC-Q100	AEC-Q100 Grade 2	N/A	AEC-Q100
Number of CPU cores	11	11	11	2	5	8	8	N/A

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

Notes:

- 1 As of December 31, 2023
- 2 Process node refers to a specific semiconductor manufacturing process and its design rules. Different nodes often imply different circuit generations and architectures.
- 3 Computing power refers to the amount of information data that can be processed by the chip per second, calculated under INT8 by TOPS
- 4 Public information of computing power under INT8 data type is currently unavailable
- 5 The maximum number of cameras that the chip can support
- 6 Automotive Safety Integrity Level, a risk classification scheme defined by the ISO 26262. There are four ASILs identified by the standard: ASIL A, ASIL B, ASIL C, ASIL D. ASIL D dictates the highest integrity requirements on the product and ASIL A the lowest
- 7 AEC documents are established by the Automotive Electronics Council Component Technical Committee to define common electrical component qualification requirements. AEC-Q100 defines the failure mechanism based stress test qualification for integrated circuits. There are four temperature ranges defined under Grade 0,1,2 and 3 in AEC-Q100. These ranges depend upon the operating temperature range. Grade 0 dictates the largest temperature range.
- 8 In progress and completed certain accelerated environment stress tests

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The mainstream autonomous driving SoCs selected to compare with the SoCs of the Company in the table above are products of top three high-computing power autonomous driving SoC providers that are already in mass-production phase. The parameters in the table above serve as common points of comparison for evaluating the performance, application scenario and features of different SoCs in the industry, and a comprehensive comparison of these parameters allows for the evaluation of chip performance, which helps in the selection of suitable chips, according to Frost & Sullivan.

Global and China Cross-Domain SoC Markets

Automotive Electrical/Electronic Architecture (EEA) is a system that integrates electronics hardware, network communications, software applications, and wirings to control vehicle functions. EEA is evolving from a distributed architecture to a domain-centralized one supported by SoCs. Under the domain-centralized architecture, the vehicle function is categorized into five specific domains, which are autonomous driving domain, cockpit domain, powertrain domain, chassis domain and vehicle body domain. Currently, the adoption of SoC in place of traditional MCU further facilitates the transition of EEA into the domain-centralized architecture. In particular, the autonomous driving SoC and cockpit SoC is entering a rapid growing phase, while the SoCs for other domains are currently at the early stage of deployment in large scale. The market size of cockpit SoC in China was RMB10.0 billion in 2023, and is expected to reach RMB19.4 billion in 2028 driven by governmental policy supports, technological progress and vehicle configuration enhancements, with a CAGR of 14.1% from 2023 to 2028. Globally, the market size of cockpit SoC was RMB24.5 billion in 2023, and is expected to reach RMB50.1 billion in 2028, with a CAGR of 15.4% from 2023 to 2028.

In the context of pursuing more advanced EEA in the automotive industry, the integration of different functional domains through cross-domain collaboration has emerged as a new target in the development of intelligent vehicles. The integration of autonomous driving and intelligent cockpit domains is a typical attempt in the automotive industry towards cross-domain collaboration. With the advancement of SoC technology, EEA will continue to evolve into a centrally computed system to achieve integration of more functional domains into one. This solution effectively lowers costs, enhances computational power utilization and improves communication efficiency. It is expected that cross-domain SoC market will become a new growth point in future, and in turn calls for more robust and powerful performance from SoCs in the next generation to support more complex data processing and communication interaction among different domains.

COMPETITIVE LANDSCAPE OF INTELLIGENT IMAGING SOLUTION MARKET IN CHINA

Intelligent imaging solution refers to the utilization of smart algorithms to perceive, recognize, enhance, and process images or videos for automated analysis, enabling various applications such as facial recognition, object detection and tracking, image classification, and visual inspection. These solutions are applied in a variety of industries, including traditional automotive, autonomous driving, consumer electronics, industrial automation and medical imaging. The market size of intelligent imaging solution reached RMB12.8 billion in China in 2022, with the top five market players accounting for 44.8% of the market size.

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Our business in the People's Republic of China (the "PRC") is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of relevant laws and regulations that may have material impact on our business.

REGULATIONS ON AUTONOMOUS DRIVING

On December 20, 2020, the Ministry of Transport of the People's Republic of China promulgated the Guiding Opinions on Promoting the Development and Application of Road Transport Autonomous Driving Technologies (《交通運輸部關於促進道路交通自動駕駛技術發展和應用的指導意見》), which clarified the development goal. Specifically, by 2025, the research on the basic theory of autonomous driving has made positive progress, and key technologies such as road infrastructure intelligence, vehicle-road collaboration and product research and development and test verification have made important breakthroughs; a number of basic and key standards for autonomous driving have been issued; a number of national autonomous driving test bases and pilot application demonstration projects have been built to realize large-scale application in some scenarios and promote the industrialization of autonomous driving technology.

On July 30, 2021, the Ministry of Industry and Information Technology of the People's Republic of China (the "MIIT") promulgated the Opinions on Strengthening the Administration of the Access of Intelligent Connected Vehicle Manufacturers and Products (《工業和信息化部關於加強智能網聯汽車生產企業及產品准入管理的意見》). The foregoing opinions provide that enterprises should strengthen data security management ability and network security guarantee ability, as well as strengthen management ability and ensure product production consistency. Moreover, enterprises should strengthen product management: (a) Enterprises should strictly perform the obligation of informing. Where the enterprise produces automobile products with driving assistance and autonomous driving functions, it shall clearly inform the vehicle functions and performance limits, driver responsibilities, human-computer interaction equipment indication information, function activation and exit methods and conditions, etc.; (b) Enterprises should strengthen the safety management of combined driving assistance products; (c) Enterprises should strengthen the safety management of autonomous driving function products; (d) Enterprises ensure reliable space-time information services.

On August 1, 2022, the Regulations on the Administration of Intelligent Connected Vehicles in Shenzhen Special Economic Zone (《深圳經濟特區智能網聯汽車管理條例》) came into effect. Pursuant to the foregoing regulations, intelligent connected vehicles can be sold after being listed in the national automobile product catalog or the Shenzhen intelligent connected vehicle product catalog, and getting access by the industry and information technology authorities; intelligent connected vehicles can be driven on the road after registration with the traffic management department of the public security authority; with the permission of the transportation department, intelligent connected vehicles can engage in road transport business.

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The Regulations on Promoting the Innovative Application of Driverless Intelligent Connected Vehicle in Pudong New Area (《上海市浦東新區促進無駕駛人智能網聯汽車創新應用規定》) (the “**Pudong Regulations**”) came into force on February 1, 2023. The next month, the Implementation Rules for the Regulations on Promoting the Innovative Application of Driverless Intelligent Connected Vehicle in Pudong New Area (《上海市浦東新區促進無駕駛人智能網聯汽車創新應用規定實施細則》) (the “**Pudong Implementation Rules**”) was released. Pudong Regulations and Pudong Implementation Rules apply to the innovative application activities such as road testing, demonstration application, demonstration operation, and commercial operation of driverless intelligent connected vehicles. To further implement Pudong regulations, the Technical Solutions on Intelligent Connected Vehicle without (Safe) Driver Test (《上海市無駕駛(安全)員智能網聯汽車測試技術方案》), which was released on February 7, 2023, clarify the overall requirements, failed identification and safety response requirements, minimum risk strategy requirements, human-computer interaction requirements and test methods that intelligent connected vehicles applying to carry out automatic driving function tests without (safe) drivers should meet after passing the automatic driving test with (safe) driver.

REGULATORY POLICIES AND MEASURES PROMULGATED BY THE PRC GOVERNMENT PROMOTING AUTONOMOUS DRIVING VEHICLES ON THE ROAD

The PRC government has been continuously introducing relevant policies and measures to promote the rapid development of the autonomous driving industry in various areas such as intelligent transportation, V2X and basic maps for intelligent vehicles.

On February 10, 2020, the Intelligent Vehicle Innovation and Development Strategy (《智能汽車創新發展戰略》) was promulgated by the National Development and Reform Commission of the PRC, the Office of the Central Leading Group for Cyberspace Affairs of the Central Committee of the CPC, the Ministry of Science and Technology of the PRC and other eight departments. According to Intelligent Vehicle Innovation and Development Strategy, the PRC government plans to implement initiatives related to autonomous driving vehicles in intelligent vehicle technology innovation, industrial ecology, vehicle infrastructure, regulations, and network security.

In March 2022, the Ministry of Transport and the Ministry of Science and Technology jointly issued the Outline for the Mid- to Long-Term Development of Technological Innovation in the Transportation Sector (2021-2035) (《交通領域科技創新中長期發展規劃綱要(2021-2035年)》), outlining initiatives to promote the development and large-scale application of autonomous driving technology.

In July 2023, the MIIT and the SAC jointly issued the amended Guidelines for the Construction of the National Standard System for the Connected Vehicle Industry and On-road Testing (ICVs) (2023 Edition) (《國家車聯網產業標準體系建設指南(智能網聯汽車)(2023版)》). It serves as a guidance document to promote the development of the autonomous driving industry system, in conjunction with other related documents.

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In November 2023, the MIIT, the Ministry of Public Security of the PRC, and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Notice regarding the Pilot Implementation of Intelligent Connected Vehicle Access (《關於開展智能網聯汽車准入和上路通行試點工作的通知》). The government decided to select Intelligent Connected Vehicle (“ICV”) products that meet the conditions for mass production and were equipped with autonomous driving functions to carry out pilot work for access and road driving of ICVs.

In addition to the policies and measures formulated by the central authorities of the PRC, several cities and regions have successively issued their own roadmaps for autonomous driving testing and commercialization in China. For example, cities such as Beijing, Shanghai, and Shenzhen have issued local guiding opinions and relevant policies to promote the autonomous driving vehicle industry.

LAWS AND REGULATIONS ON THE INTEGRATED CIRCUIT INDUSTRY

From 2010 to 2021, the State Council has issued a series of regulations aimed at promoting the development of the integrated circuit industry, which includes the Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (《國務院關於加快培育和發展戰略性新興產業的決定》), the Notice of the State Council on Promulgation of Several Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》), the Outline for Advancing the National Integrated Circuit Industry (《國家集成電路產業發展推進綱要》), Made in China (2025) (《中國製造(2025)》), the Notice of the State Council on Promulgation of Several Policies for Promoting the High-quality Development of Integrated Circuit and Software Industries in the New Era (《新時期促進集成電路產業和軟件產業高質量發展的若干政策》).

On January 25, 2017, the National Development and Reform Commission promulgated Strategic Emerging Industries Key Products and Services Guidance Catalog (《戰略性新興產業重點產品和服務指導目錄》), which includes integrated circuit chip design and services as a key product and service in the strategic emerging industries.

On March 28, 2018, the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the MIIT jointly promulgated the Notice on Issues Concerning Corporate Income Tax Policies for Integrated Circuit Manufacturers (《關於集成電路生產企業有關企業所得稅政策問題的通知》), which grants income tax exemptions or reductions to some integrated circuit manufacturing companies. The next year, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on Income Tax Policies for Integrated Circuit Design and Software Enterprises (《關於集成電路設計和軟件產業企業所得稅政策的公告》). Pursuant to the foregoing provisions, integrated circuit design enterprises and software enterprises satisfying the criteria shall enjoy an incentive period with effect from their profit-making year(s) prior to December 31, 2018, and be exempted from enterprise income tax for the first year to the second year, and pay enterprise income tax based on 50% off the statutory 25% tax rate from the third year to the fifth year, until the incentive period expires.

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On July 27, 2020, the Notice by the Ministry of Finance, the National Development and Reform Commission, the Ministry of Industry and Information Technology and Other Departments of the Measures for the Administration of Import Tax Policies for Supporting the Development of the Integrated Circuit Industry and the Software Industry (《財政部、國家發展改革委、工業和信息化部等關於支持集成電路產業和軟件產業發展進口稅收政策管理辦法的通知》) became effective. On the same day, the Notice by the Ministry of Finance, the General Administration of Customs and the State Taxation Administration of Import Tax Policies for Supporting the Development of the Integrated Circuit Industry and the Software Industry (《財政部、海關總署、稅務總局關於支持集成電路產業和軟件產業發展進口稅收政策的通知》) took effect. The above notices relating to importing tax for the integrated circuit industry have made some installment tax payment policies and import tariff exemption policies.

On March 12, 2021, the National People's Congress of the PRC approved the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which clarifies that the PRC should foster advanced manufacturing clusters and promote the innovation and development of industries such as integrated circuits, aerospace equipment, high-tech ships and ocean engineering equipment, robots, advanced railway equipment, advanced power equipment, engineering machinery, high-end CNC machine tools, medicine and medical equipment.

On May 21, 2022, the State Taxation Administration issued the Guidelines on Tax Preference Policies for Software and Integrated Circuit Enterprises (《軟件企業和集成電路企業稅費優惠政策指引》). For the purpose of facilitating timely knowledge of applicable tax policies, the foregoing guidelines has clearly demonstrated preference contents, conditions, and policy basis for integrated circuit enterprises.

Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration on the Weighted Deduction Policy for Value-added Tax on Integrated Circuit Enterprises (《財政部、稅務總局關於集成電路企業增值稅加計抵減政策的通知》), which was promulgated on April 20, 2023, from January 1, 2023 to December 31, 2027, enterprises engaged in the design, production, closed beta test, equipment and materials of integrated circuits are allowed to deduct extra 15% of the deductible input tax in the current period from the value-added tax payable.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Pursuant to Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**Merger and Acquisition Provisions**”, which was promulgated on June 22, 2009), merger and acquisition of domestic enterprises by foreign investors referred to in the Merger and Acquisition Provisions shall mean acquisition of equity of shareholders of non-foreign investment enterprises in China or subscription to additional capital of domestic companies by foreign investors to convert such domestic companies into foreign investment enterprises; or incorporation of foreign investment

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enterprises by foreign investors to acquire and operate assets of domestic enterprises by such foreign investment enterprises by agreement, or acquisition of assets of domestic enterprises by foreign investors by agreement and investment of such assets to establish foreign investment enterprises for operation of such assets. In the case of merger or acquisition of a domestic enterprise by a foreign investment enterprise incorporated by a foreign investor in China, the relevant provisions on merger and division of foreign investment enterprises and the relevant provisions on domestic investments of foreign investment enterprises shall apply; where there is no provision therein, the Merger and Acquisition Provisions shall apply by reference.

On October 28, 2015, the Ministry of Commerce promulgated Interim Provisions on Investment Inside China by Foreign Investment Enterprises (《關於外商投資企業境內投資的暫行規定》). According to the foregoing provisions, where a foreign investment enterprise purchases share ownership from investors of the target company, and the business scope of the target company falls within the field of Encouraged or Permitted Categories of Investment, the target company shall submit to the original company registration organ all the materials prescribed by Article 6, and shall, in accordance with relevant provisions of the “Rules on Company Registration”, apply to the original company registration organ for alteration of registration.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法實施條例》) and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020, the State establishes a foreign investment information report system. Foreign investors or foreign-funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system. The contents and scope of foreign investment information report shall be determined under the principle of necessity; it is not allowed to require the submission again of any investment information that can be obtained by interdepartmental information sharing. For foreign investment enterprises investing in China and establishing an enterprise (including multi-level investment), upon completion of registration filing and submission of annual report information to the market regulatory authorities, the relevant information shall be forwarded by the market regulatory authorities to the commerce administrative authorities, and these enterprises are not required to submit separately.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

On July 4, 2014, the Circular of the State Administration of Foreign Exchange on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) came into effect. Pursuant to such circular, domestic residents shall apply to the State Administration of Foreign Exchange to register foreign exchange for overseas investments before contributing money to Special Purpose Vehicles using legitimate domestic and overseas assets or rights and interests. In the

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event of any alteration in the basic information, such as shareholders, name and operating duration of the individual domestic residents, or key information, such as increases or decreases in capital, or equity transfers, swaps, consolidations, or splits, the registered overseas Special Purpose Vehicles shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Foreign Exchange Circular**”), which was promulgated on February 13, 2015 and became effective on June 1, 2015, two administrative approval items, foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, have been canceled. According to these new requirements, the banks will directly verify and handle the registration of foreign exchange under domestic and overseas direct investment, while the State Administration of Foreign Exchange and its branches shall conduct through banks indirect regulation over registration of foreign exchange for direct investment.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was promulgated and became effective on October 23, 2019, where a non-investment-oriented foreign investor makes equity investment in China through transfer of capital in original currency, the invested shall register for acceptance of domestic reinvestments as required and open a foreign exchange capital account to receive the transferred money, with no need to register for the recognition of contribution in cash; where a non-investment-oriented foreign investor makes equity investment in China with the money from the settlement of foreign exchange capital, the invested shall register for acceptance of domestic reinvestments as required and open an account pending payment after foreign exchange settlement under the capital account to receive the money.

LAWS AND REGULATIONS ON INFORMATION SECURITY AND DATA PRIVACY

On May 28, 2020, the National People’s Congress of the PRC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), which has come into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

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On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate jointly released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), which came into effect on June 1, 2017. It clarifies several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including the “provision of citizens’ personal information” and “illegally obtaining any citizen’s personal information by other methods”. In addition, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

On November 7, 2016, the Standing Committee of National People’s Congress (the “**SCNPC**”) promulgated the Cyber Security Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and strengthen the network information management. For instance, under the Cyber Security Law, network operator of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. When collecting and using personal information, in accordance with the Cyber Security Law, network operator shall abide by the “lawful, justifiable and necessary” principles. Network operator shall collect and use personal information by announcing rules for collection and use, expressly notify the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. Network operator shall not disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored. Each individual is entitled to require a network operator to delete his or her personal information if he or she finds that collection and use of such information by such operator violate the laws, administrative regulations or the agreement by and between such operator and such individual; and is entitled to require any network operator to make corrections if he or she finds errors in such information collected and stored by such operator. Such operator shall take measures to delete the information or correct the error.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), which became effective on September 1, 2021. It stipulates that each organization or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by other illegal methods, and the data processing activities shall comply with laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility; it shall not endanger national security, the public interest, or individuals’ and organizations’ lawful rights and interests. Besides, it is necessary to establish and improve a whole-process data security management system in accordance with the provisions of laws and regulations, organize and carry out data security education and training,

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and adopt corresponding technical measures and other necessary measures to ensure data security. The use of the Internet and other information networks to carry out data processing activities shall perform the above-mentioned data security protection obligations on the basis of the network security level protection system.

On December 28, 2021, the Cyberspace Administration of China (the “CAC”) promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (became effective on February 15, 2022), which provides that (i) internet platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing abroad, and (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security shall apply for a cybersecurity review, and (iii) internet platform operators carrying out data processing that will affect or may affect national security shall apply for a cybersecurity review. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws and regulations, including identifying any entity to meet any of the above cybersecurity review criteria.

Pursuant to the PRC National Security Law (《中華人民共和國國家安全法》) issued by SCNPC on July 1, 2015 and became effective on the same date, the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China. According to the PRC National Security Law, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state, and the capability to maintain a sustained security status are not faced with any danger and not threatened internally or externally.

On July 30, 2021, the State Council promulgated the Regulations on the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the CII Regulations, which became effective on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field such as public communication and information service, energy, transport, water conservation, finance, public services, e-government affairs, science and technology industry for national defense and other industries and sectors that may seriously endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and determining the critical information infrastructure in the respective industry or sector. The operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators, or CIIOs. Furthermore, the exact scope of CIIOs under the current regulatory regime remains unclear, and the PRC governmental authorities may have discretion in the interpretation and enforcement of these laws and regulations.

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On November 14, 2021, the CAC promulgated the Network Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), which further expands the scope of the application for security review, establishes the data classification and protection system, and defines the relevant rules for cross-border data management.

In accordance with the Measures for Cybersecurity Review and the Network Data Security Management Regulations (Draft for Comments) (together referred to as the “**Cybersecurity Review Measures**”), we are not applicable to the declaration of cybersecurity review, on the basis that: (i) According to Article 10 of Regulations on the Security Protection of Critical Information Infrastructure, the security protection departments of critical information infrastructure will timely notify the identification results to the operators. As of the Latest Practicable Date, we had not received such notification from relevant government authorities regarding the identification as a CIIO. In addition, the network products and services that we purchase and use are general network products and services available in the marketplace without significant risks of supply chain disruption. Therefore, we should not be deemed as an operator of critical information infrastructure. (ii) We have not received any material queries or notifications from the CAC or other PRC governmental authorities, have not received any notification with regard to cybersecurity review, and have not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity, data and personal information protection. (iii) Our business does not involve the cross-border transfer of personal information and important data. (iv) We have established a basic cybersecurity and data protection system pursuant to the PRC Data Security Law and other applicable laws and regulations. (v) During the Track Record Period and up to the Latest Practicable Date, there had not been a significant cybersecurity or data protection incident regarding theft, leakage, damage or loss of data or personal information. (vi) Based on the consultation with the China Cybersecurity Review Technology and Certification Center (the agency entrusted by the Cybersecurity Review Office to carry out the specific work of cybersecurity review, “CCRC”), Hong Kong is not included in the definition of “abroad” hereof and listing in Hong Kong is not in the scope of “listing abroad” (國外上市), which is not explicitly required to apply for a cybersecurity review. (vii) The number of personal information processed by us is very limited, not reaching the threshold of one million.

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad, including the following circumstances: (i) important data will be provided overseas by any data processor; (ii) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (iii) personal information will be provided overseas by any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of the previous year; and (iv) other circumstances where the security assessment is required as prescribed by the CAC. The

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security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, our business does not involve the cross-border transfer of personal information and important data. Accordingly, the Measures on Security Assessment of Cross-border Data Transfer is not applicable to the Company. If it is necessary to transmit personal information or important data outside the country due to business needs in the future, we will fulfil the obligation of formalities of cross-border transfer in advance.

To regulate automobile data processing activities, Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) was issued on August 16, 2021 and became effective on October 1, 2021. Pursuant to the foregoing provisions, “automobile data” includes personal information data and important data involved in the process of automobile design, production, sales, use, operation and maintenance, among others. Automobile data processors that conduct important data processing activities shall conduct risk assessments and submit risk assessment reports to the cyberspace administrations and relevant departments of the provinces, autonomous regions, and municipalities directly under the central government. And important data shall be legally stored within the territory of the PRC; where it is truly necessary to provide such data to an overseas recipient for business needs, the security assessment organized by the national cyberspace administration in conjunction with the relevant departments of the State Council shall be passed. During the Track Record Period, after delivery of the Group’s products to customers, we will not be able to access, store or process any data or information generated by the customers. During the development of cockpit algorithms, we will indirectly collect cabin data through its partners. In addition, the image data and LiDAR data outside the vehicle collected by us through our partners has already realized the anonymization of face information and license plate information, and we are not involved in the processing of the important data mentioned in Article 3.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been any material cybersecurity and data protection incidents with respect to data leakage, violation of data protection laws and regulations or investigation or other legal proceeding against us in this regard. Based on the above facts, and as confirmed by our PRC Legal Advisor, our Directors are of the view that (i) assuming the Network Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) are implemented in their current form, we are in compliance with the Measures for Cybersecurity Review (《網絡安全審查辦法》), the Network Data Security Management Regulations (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) and Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) (collectively, the “**Cybersecurity Regulations**”) in all material aspects as of the Latest Practicable Date; and (ii) the Cybersecurity Regulations would not have a material adverse impact on our business operations or the proposed Listing. Based on the above facts and the independent due diligence work performed by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to cast reasonable doubt on the views of the Directors and its PRC Legal Advisor.

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LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

Regulations on Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), (last amended on April 24, 2014 and became effective on January 1, 2015), outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Regulations on Fire Safety

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “**Fire Prevention Law**”) was adopted on April 29, 1998 and last amended and took effect on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which was promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, last amended on August 21, 2023 and became effective on October 30, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

In addition, the Fire Prevention Law requires that before any public venues that allows the gathering of people are put into business operation, as required according to applicable requirements, the developer or the users shall apply to competent authorities to conduct a fire safety inspection of the premises to obtain the Fire Safety Inspection Certificates.

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LAWS AND REGULATIONS ON TAX

Enterprise Income Tax

According to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**Corporate Income Tax Law**”) (last amended and became effective on December 29, 2018), and the Implementation Regulations for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**Implementation Regulations for the Corporate Income Tax Law**”) (last amended and became effective on April 23, 2019), all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%, or the qualified small low-profit enterprises, which will enjoy the reduced enterprise income tax rate of 20%.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (last amended and became effective on November 19, 2017) and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》), which was promulgated on December 25, 1993, amended on October 28, 2011 and became effective on November 1, 2011, all entities or individuals in the PRC engaging in the sale of goods, provision of processing services, repairs and replacement services and the importation of goods are required to pay value-added tax (the “**VAT**”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17%, and in certain limited circumstances is 11% or 6%, subject to the situation involved.

In accordance with Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which became effective on May 1, 2018, the deduction rates of 17% or 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% or 10%.

According to Announcement on Policies for Deepening the VAT Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) (Announcement No. 39 of 2019 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, became effective on April 1, 2019), for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

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LAWS AND REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law and Labor Contracts

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) (last amended and became effective on December 29, 2018), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (last amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Regulations for the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (promulgated and became effective on September 18, 2008), an employer unit shall establish and improve its rules and regulations in accordance with the law in order to ensure that workers enjoy labor rights and perform labor obligations. A written labor contract is required when an employment relationship is established between an employer and an employee. A labor contract shall include the following clauses: term of labor contract; working hours and rest periods and off days; labor remuneration; social security; labor protection, working conditions and occupational hazard prevention and protection; and any other matters to be included in a labor contract as stipulated by the laws and regulations.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (last amended and became effective on December 29, 2018), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (last amended and became effective on March 24, 2019), the Unemployment Insurance Regulations (《失業保險條例》) effective in 1999 and the Regulations on Work-related Injury Insurance (《工傷保險條例》) (last amended on December 20, 2010 and became effective on January 1, 2011), the state shall establish social security systems such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, family planning insurance, etc., to protect the rights of citizens for obtaining material assistance from the state and the society pursuant to the law in the circumstances of old age, illness, work injury, unemployment, family planning, etc. Employers must pay a number of social security funds for their employees, including basic endowment insurance, medical insurance, work injury insurance, unemployment insurance, family planning insurance. Employers which failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fine ranging from RMB500 to RMB3,000.

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Housing Provident Fund

Pursuant to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (last amended and became effective on March 24, 2019), an employer shall go to the housing provident fund management center to undertake registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management center, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees.

Where, in violation of the provisions of the Regulations, an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, works of PRC citizens, legal persons or other organizations shall, regardless of whether they have been published, including written works; oral works; musical, dramatic, opera, dance, acrobatic and artistic works; visual arts, architectural works; photographic works; film works and works created using methods similar to film-making; graphical works and modeling works such as engineering design graphs, product design graphs, maps and schematic diagrams; computer software; and other works stipulated by laws and administrative regulations, be entitled to the copyright pursuant to this law. The rights a copyright owner has included but not limited to the following rights of the person and property rights: the right of publication, right of authorship, right of modification, right of integrity, right of reproduction, distribution right, rental right, right of information network dissemination, translation right and right of compilation. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was last amended on January 30, 2013 and became effective on March 1, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

REGULATORY OVERVIEW

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated on August 23, 1982, last amended on April 23, 2019 and became effective on November 1, 2019, and the Regulation on Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and became effective on May 1, 2014, any trademark which is registered with the approval of the Trademark Office is a registered trademark, including commodity trademark, service trademark, collective trademark, certification trademark, and the trademark registrant has the exclusive right to use a registered trademark and such right is protected by law. A registered trademark is valid for a period of ten years commencing from the date on which the registration is approved. Use of a trademark that is identical with or similar to a registered trademark, for the same kind of or similar commodities, without authorization of the trademark registrant, constitutes infringement of the exclusive right to use a registered trademark.

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”), promulgated on March 12, 1984, last amended on October 17, 2020 and became effective on June 1, 2021, and the Rules for the Implementation of Patent Law of the PRC (《中華人民共和國專利法實施細則》), amended on December 11, 2023 and became effective on January 20, 2024, after the grant of the patent right for inventions and utility models, except otherwise regulated under the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit such patent, that is no manufacture, use, offer to sell, sell or import the patented product, or use the patented process and use, offer to sell, sell or import products directly obtained from such patented process, for production or business purpose. After the patent right is granted for a design, no unit or individual shall, without the authorization of the patent owner, exploit such patent, that is to manufacture, offer to sell, sell, or import any product containing such patented design for production or business purposes. Where infringement has been established, the infringer shall, in accordance with the relevant regulations, be ordered to cease the infringement activities, take corrective actions, and compensate for losses.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, and China ccTLD Dispute Resolution Policy (《國家頂級域名爭議解決辦法》), promulgated on June 18, 2019 and became effective on the same date, domain name registrations are handled through domain name service agencies established under relevant regulations, and the applicant becomes a domain name holder upon successful registration. Moreover, domain name disputes shall be submitted to an organization authorized by China Internet Network Information Center for resolution.

REGULATORY OVERVIEW

Pursuant to the Notice from the MIIT on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), promulgated on November 27, 2017 and became effective on January 1, 2018, Internet access service providers shall verify the identity of each Internet information service provider, and shall not provide services to any Internet information service provider who fails to provide real identity information.

Trade Secret

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993, as amended on November 4, 2017 and April 23, 2019 respectively, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others’ trade secrets by: (i) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (ii) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; or (iii) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; (iv) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder’s requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others’ trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

LAWS AND REGULATIONS ON OVERSEAS LISTING

The China Securities Regulatory Commission (the “CSRC”) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic

REGULATORY OVERVIEW

company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after occurrence of the changes.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provision on Confidentiality**”), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the state.

As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we have complied with the Overseas Listing Trial Measures in all material aspects. Our filing application was accepted by the CSRC on August 25, 2023, and we have obtained the CSRC record-filing notice on November 9, 2023.

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U.S. EXPORT CONTROL LAWS AND REGULATIONS

On October 7, 2022, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) released an Interim Final Rule (the 2022 Rule) that implemented several new export controls to restrict China's access from the U.S. and overseas sources relying on U.S. technology to certain advanced computing technology, semiconductors, and related items used in the manufacturing of semiconductors. On October 17, 2023, BIS released the most recent expansion of U.S. export restrictions on semiconductors and semiconductor manufacturing equipment (SME) in the form of two Interim Final Rules (the 2023 Rule). Below is an overview of the changes imposed by the relevant rules, as well as the impact on the Group.

The 2022 Rule significantly enhanced U.S. export controls as applied to advanced integrated circuit (IC) products, related SME and technology and supercomputers, where the destination or ultimate end use is in China. Below is an overview of the major changes coming out of the 2022 Rule.

- **New Commerce Control List (CCL) Controls on ICs and SME:** As part of the 2022 Rule, BIS expanded CCL-based controls under the Export Administration Regulations (EAR) to add additional Export Control Classification Numbers (ECCNs). New ECCN 3A090 was created to control certain high-performance ICs that have or are programmable to have an aggregate bidirectional transfer rate over all inputs and outputs of 600 GB/s or more to or from integrated circuits other than volatile memories. In parallel with this new control, BIS created controls on a broad variety of advanced IC manufacturing equipment not already controlled under the CCL that could potentially be used to produce ICs now controlled under ECCN 3A090, including various high-performance electroplating and chemical vapor deposition processes and processes for fabricating metal contacts. The 2022 Rule also extended to related controls on software and technology for the development, production, or use of such items, as well as computers, electronic assemblies, and other items containing the controlled ICs. Finally, the 2022 Rule also expanded some CCL-based controls on lower-level computing ICs and associated computer commodities through the addition of new ECCNs 3A991.p and 4A994.l.
- **Creation of New U.S. Person Restrictions:** In the 2022 Rule, BIS expanded Section 744.6 of the EAR to inform U.S. persons that a license is required for the shipment, transmission, or transfer (in-country) to or within China of certain items not subject to the EAR, or the facilitation of such shipments or transfers, or the servicing of such items, by U.S. persons anywhere in the world. The restrictions applied to: (1) any items when you know the items will be used in the development or production of ICs at a semiconductor fabrication facility in China that fabricates certain advanced node logic ICs, NOT-AND (NAND) memory ICs, and dynamic random-access memory (DRAM) ICs, (2) certain items meeting the parameters of any ECCN in Product Groups B, C, D, or E in Category 3 of the CCL (IC manufacturing equipment, software, and technology) destined to a fabrication facility, where you do not know whether the facility fabricates such advanced ICs, and (3) other newly controlled advanced IC SME, regardless of end use or end user.

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- **New and Expanded Foreign Direct Product Rules:** BIS also expanded certain foreign direct product rules (FDPRs) as part of the 2022 Rule. The EAR’s FDPRs extend U.S. export control jurisdiction to certain foreign produced items that are the “direct product” of specified U.S. technology or equipment controlled for national security reasons. First, BIS created a new Entity List-specific FDPR by identifying certain entities already on the Entity List with a new footnote based on their involvement in developing certain supercomputers. The restriction made certain additional foreign-produced items that are the direct product of, or that are produced using equipment that is the direct product of, certain controlled U.S. technology or software “subject to EAR” if incorporated into, or used in the production or development of any part, component, or equipment produced, purchased, or ordered by any of the 28 designated entities, or if one of the designated entities is a party to the transaction involving the foreign produced item, such as a purchaser, intermediate consignee, ultimate consignee, or end user. BIS also created a new “Advanced Computing FDPR” and a “Supercomputer FDPR.” The Advanced Computing FDPR made certain foreign-produced advanced computer items and advanced ICs meeting the parameters of the new ECCNs subject to the EAR when destined to China (or incorporated into another item destined to China) when they are the direct product of certain controlled IC, computer, or telecommunications related software, equipment, and technology. The “Supercomputer FDPR” made any product subject to the EAR when produced by equipment that is itself the direct product of certain controlled IC, computer, or telecommunications related software, equipment, and technology if there is knowledge that the product will be used in the design, development, production, operation, installation, maintenance, checking, repair, overhaul, or refurbishing of a supercomputer located in China, or incorporated into or used in the development or production of any part, components, or equipment that will be used in a supercomputer located in or destined for China.
- **New End Use and End User Restrictions:** The final major change coming out of the 2022 Rule included the introduction of new end use and end user restrictions similar to the U.S. person restrictions detailed above, but applicable instead to all items subject to the EAR anywhere in the world. Under the “SME End Use Rule,” BIS introduced a new license requirement for the export, reexport, or transfer (in-country) without a license, of any items subject to the EAR when you know they will be used in the development or production of ICs at a semiconductor fabrication facility located in China that fabricates advanced node ICs (as described above). The SME End Use Rule likewise imposed a license requirement on items subject to the EAR and classified in any ECCN in Product Groups B, C, D, or E in Category 3 of the CCL (IC manufacturing equipment, software, and technology) destined to a fabrication facility, where you do not know whether the facility fabricates such advanced ICs. Finally, the SME End Use Rule will impose a license requirement on any items subject to the EAR when the item will be used in the development or production in China of any parts, components, or equipment specified in certain advanced IC and SME related ECCNs. Finally, BIS introduced the “Supercomputer End Use Rule,” which imposes a licensing requirement on certain controlled advanced ICs or items containing advanced ICs, as well as computers, electronic assemblies, and components classified in certain ECCNs, when the items will be used, directly or indirectly, for certain supercomputer-related end uses.

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Following the 2022 Rule, the 2023 Rule thereafter revised and expanded upon the 2022 Rule. Below is an overview of the changes coming out of the 2023 Rule as compared to the 2022 Rule.

- **Additional Controls on Semiconductor Manufacturing Equipment:** BIS expanded the scope of the SME export controls to capture additional tools and equipment critical to development of certain advanced ICs and expanded the SME controls to restrict exports to additional destinations. Newly controlled items include certain equipment and components for the most advanced IC production operations, such as EUV (extreme ultraviolet) etching and advanced deposition processing. BIS also removed the de minimis U.S. content threshold for certain foreign-produced lithography equipment, making such items subject to the Export Administration Regulations (EAR) when produced with any U.S.-origin content.
- **Additional Controls on Semiconductors:** BIS also expanded the scope of ECCN 3A090 to capture a variety of additional ICs, with the stated purpose of controlling ICs that “could provide nearly comparable AI model training capability as those controlled” in the 2022 Rule. BIS expanded ECCN 3A090.a to now broadly control ICs with one or more digital processing units having either (1) a ‘total processing performance’ of 4800 or more, or (2) a ‘total processing performance’ of 1600 or more and a ‘performance density’ of 5.92 or more. ECCN 3A090.b now controls ICs with one or more digital processing units having either (1) a ‘total processing performance’ of 2400 or more and less than 4800 and a ‘performance density’ of 1.6 or more and less than 5.92 or (2) a ‘total processing performance’ of 1600 or more and a ‘performance density’ of 3.2 or more and less than 5.92. At the same time, BIS created a carve-out for certain ICs that are not designed or marketed for use in datacenters with a ‘total processing performance’ of less than 4800. The controls also extend to any items containing such ICs categorized elsewhere on the Commerce Control List (CCL) and have been expanded to cover additional countries. The 2023 Rule also created a new license exception, License Exception Notification Advanced Computing (NAC), to create a notification requirement for certain exports of less sophisticated ICs now controlled under 3A090. BIS also created a favorable license application review policy for exports to newly controlled destinations.
- **Revisions and Additions to Various End Use Controls and US Person Restrictions:** In addition to controls on new ICs and SME, BIS expanded and revised certain end use controls on items “subject to the EAR,” including end use controls related to supercomputers and semiconductor manufacturing end uses. BIS expanded the geographic scope of the restrictions, and also expanded the geographic scope of the restrictions on certain activities of US persons. BIS also clarified and narrowed certain US person restrictions to avoid restricting servicing by US persons of items at certain legacy-node facilities. Finally, BIS clarified in the recent regulations that a facility where only development activities occur, such as purely design work, would not fall within the scope of the controls. Likewise, BIS created an exclusion to the restrictions, carving out from “production” certain “back-end” steps like assembly, testing, and packaging, which would not alter the technology level of ICs.

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- **Additional Geographic Scope Expansion for Advanced Computing FDPR:** BIS also broadened the country scope of the Advanced Computing FDPR. The Advanced Computing FDPR previously controlled foreign produced advanced computer items (meeting the performance parameters of 3A090 or 4A090) when destined to China if they are the direct product of certain U.S.-origin software or technology. Following the 2023 Rule, the geographic scope of the rule was expanded.
- **Entity List Additions:** In conjunction with the 2023 Rule, BIS also added two PRC companies, along with certain subsidiaries, to the Entity List.

Under the EAR, an item manufactured outside of the United States can be subject to EAR jurisdiction if the item incorporates certain above de minimis U.S. controlled content (the de minimis rule) or is subject to one of the EAR's foreign direct product rules. The Group product has not incorporated, and will not incorporate, any U.S. controlled content, and therefore would not be captured under the EAR's de minimis rule. Under variations of the EAR's foreign direct product rule, a foreign-produced item may also be subject to EAR jurisdiction if it is produced from certain controlled U.S. technology or software or is a direct product of a complete plant or a major component of a plant that itself is the direct product of certain U.S.-origin technology and it falls under certain Export Control Classification Number provisions (ECCNs) on the EAR's Commerce Control List (CCL). The EAR foreign direct product rules do not apply to the Group's product as it is not the direct product of, or the direct product of a plant or major component of a plant that is itself the direct product of, any applicable U.S.-origin technology or software.

Moreover, the product would be categorized as "EAR99", a catch-all export control classification applicable to products not subject to EAR-based country-specific licensing controls on the CCL. More particularly, according to the Group's review of the parameters of the recent export control restrictions, which was reviewed by K&L Gates, the product's capabilities are not captured under expanded ECCNs (in particular, ECCN 3A090) under enhancement to EAR-based controls on integrated circuits through the 2022 Rule and the 2023 Rule. Accordingly, the products manufactured by TSMC for the Group would not be subject to additional export controls under U.S. law unless U.S. persons are involved in the transaction, and can generally be shipped to China without specific authorization from U.S. authorities.

Certain export control rules restrict activities of U.S. persons, and other rules impose end use and end user restrictions on goods subject to the EAR, even if categorized as EAR99. The EAR impose certain restrictions on transactions involving goods subject to U.S. jurisdiction based on the "end use" to which the item will be put, or the "end user" that will ultimately receive the item. These restrictions are set out in Part 744 of the EAR. End use restrictions involve certain restrictions on nuclear or weapons of mass destruction (WMD) uses, certain military end uses, as well as more recently certain restrictions on semiconductor manufacturing end uses, advanced computing, and supercomputers. End user restrictions primarily include parties on certain restricted party lists, such as the Entity List maintained by the BIS and Security of the U.S. Department of Commerce, as well as certain military or military intelligence end users. The Group's transactions with Shanghai International and TSMC do not involve any restricted end uses or end users, nor do they involve U.S. persons in any manners restricted by existing restrictions on the activities of U.S. persons set out in 15 C.F.R. § 744.6.

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Furthermore, as noted above, the Group's chips produced by TSMC are not subject to the EAR. Therefore, the goods are not subject to U.S. export control jurisdiction, and are therefore not even subject to the end use and end user controls applicable to U.S. goods as set out in 15 C.F.R. Part 744. The semiconductor manufacturing equipment (SME) controlled under the new restrictions are limited to SME for production of advanced ICs. During the Track Record Period and up to the Latest Practicable Date, the Group's products are not the types of advanced ICs requiring the use of these tools for production. In addition, even outside of the Group's transactions with Shanghai International and TSMC, the Group had not done business with any entities designated to the Entity List.

In August 2023, President Joe Biden signed an Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (the "**Executive Order**"). In addition, the U.S. Department of Treasury issued a notice of proposed rulemaking (the "**NPRM**") seeking public comment related to the implementation of the Executive Order. The NPRM proposes a regulatory framework for certain U.S. investments into China (including Hong Kong and Macau) in entities engaged in activities involving sensitive technologies critical to national securities in three sectors, namely, semiconductors and microelectronics, quantum information technologies, and artificial intelligence. The program would, pursuant to implementing regulations, prohibit U.S. persons from undertaking certain transactions and require notification by U.S. persons on certain investments. The NPRM proposes to exclude certain "excepted transactions," such as passive investments into publicly traded securities. However, the NPRM does not itself implement the Executive Order. It will be followed by the final implementing regulations at a later stage in the process. As of the date of this Prospectus, this program has not gone into effect, with the exact scope and details of the program subject to further adjustments.

Based on the above and as confirmed by our legal advisors as to U.S. export control laws, our Directors are of the view that during the Track Record Period and up to the Latest Practicable Date, the U.S. export control laws and the Executive Order did not have any material adverse impact on our Directors, senior management and shareholders or our operation, financial performance and fund raising activities from U.S. export control legal perspective. Although certain Directors, senior management, or shareholders may be U.S. persons, the U.S. person restrictions imposed by the 2022 Rule and the 2023 Rule did not have a material adverse impact on them because the rules are broadly inapplicable to the Company's transactions. The new restrictions are currently set out in 15 C.F.R. 744.6(c)(2), and impose controls on: (1) any items you know will be used in the development or production of integrated circuits (ICs) at certain facilities where production of specified advanced node ICs occurs, (2) items meeting the parameters of certain semiconductor manufacturing equipment, software and technology export control classification numbers (ECCNs) when you know the item will be used in the development or production of ICs at certain facilities, but you do not know whether such facilities carry out production of advanced node ICs, and (3) items meeting the parameters of certain advanced semiconductor manufacturing equipment, software and technology ECCNs. The Company confirms that it does not import any item that it knows is to be used for the purpose listed in (1). Neither (2) nor (3) are applicable to the Company's operations because the Company does not produce or design semiconductor manufacturing equipment falling within the identified ECCNs.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are an automotive-grade computing SoC and SoC-based intelligent vehicle solution provider. Operating in the midstream of autonomous driving value chain as a Tier 2 supplier, we provide autonomous driving products and solutions in the form of bundled SoC-based solutions and algorithm-based solutions. In terms of shipment of automotive-grade high-computing power SoCs in 2023, we are the third largest provider globally, according to Frost & Sullivan. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 15, 2016, and is the holding company of the Group with businesses conducted through its subsidiaries.

OUR KEY MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Month	Milestone
2016	July	Our inception.
	September	Northern Light Venture Capital (北極光創業投資), one of our Pathfinder SIIs, first invested in our Company.
2018	March	Entered into global strategic cooperation agreement with Bosch.
2019	March	Received investments by SAIC Motor (上汽集團) and China Merchants Group (招商局集團).
	November	Entered into strategic cooperation agreement with FAW Group (一汽集團).
2020	June	Launched Huashan A1000 and Huashan A1000L.
	September	Oceanpine Capital (海松資本), one of our Pathfinder SIIs, first invested in our Company.
	October	Started selling autonomous driving solutions.
2021	April	Received investments by Tencent, Bosch Group and Dongfeng Motor (東風集團).
		Launched Huashan A1000 Pro.

HISTORY AND CORPORATE STRUCTURE

Year	Month	Milestone
	September	Entered into strategic cooperation agreement with JAC Motors (江汽集團) to develop vehicle-level autonomous driving chips and visual perception algorithms. Received investments by Xiaomi (小米).
2022	January	Received investments by NIO Capital and Geely (吉利控股).
	September	Entered into cooperation agreement with JICA (吉咖), an affiliate of ECARX, to install our A1000 SoC on Geely vehicles.
	December	Flagship Huashan A1000 Series SoCs for autonomous driving reached a total shipment of over 25,000. Announced joint collaboration with Dongfeng Motor (東風集團) to deploy our Huashan A1000 SoCs on its first all-electric sedan and SUV models.
2023	April	Designated as Baidu's preferred domestic intelligent vehicle SoC partner and started to jointly develop autonomous driving products based on Huashan A1000 Series SoCs. Announced our Wudang Series cross-domain SoCs, the first in the industry to integrate autonomous driving, smart cockpit, body control and other computational domains, according to Frost & Sullivan.
	May	Announced joint collaboration with FAW Group (一汽集團) to deploy our Huashan-2 A1000L on the Hongqi (紅旗) models.

HISTORY AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following subsidiaries made a material contribution to our results of operation during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Shareholding	Principal business activities
Black Sesame Wuhan	PRC	February 8, 2021	100%	Sales of software products and provision of related services
Black Sesame Shanghai	PRC	January 14, 2017	100%	Image identification, chip design and related software development

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 15, 2016, with an authorized share capital of US\$50,000 divided into 500,000,000 Ordinary Shares with a par value of US\$0.0001 each. Upon incorporation, one Ordinary Share was allotted and issued at par value to our initial subscriber, who is an Independent Third Party. On the even date, (i) our initial subscriber transferred its one Ordinary Share to Triumphant Star, and (ii) the Company issued an aggregate of 79,999 Ordinary Shares to Triumphant Star, United Path, Marvel Stars, Sonic Wisdom Holdings Limited (“**Sonic Wisdom**”), a company incorporated in the BVI and ultimately controlled by Mr. Liu, and Clear Idea Group Limited (“**Clear Idea**”), a company incorporated in the BVI and ultimately controlled by an Independent Third Party.

On September 7, 2016, Sonic Wisdom and Clear Idea irrevocably surrendered to the Company for cancellation an aggregate of 21,500 Ordinary Shares for nil consideration. Since then, Sonic Wisdom and Clear Idea no longer held any Shares. On the even date, the Company issued an aggregate of 79,941,500 new Ordinary Shares of par value US\$0.0001 each to Triumphant Star, United Path and Marvel Stars. After such issuance, Triumphant Star, United Path and Marvel Stars altogether held 80,000,000 Ordinary Shares.

2. Pre-IPO Investments

As of the Latest Practicable Date, we have conducted ten rounds of Pre-IPO Investments. See “– Pre-IPO Investments” in this section for subsequent shareholding changes resulting from the Pre-IPO Investments.

HISTORY AND CORPORATE STRUCTURE

3. Warrants

On October 24, 2018, the Company and Silicon Valley Bank (the “**SVB**”), an Independent Third Party, entered into an agreement where our Company issued certain warrants to SVB (the “**SVB Warrant**”), which could be exercised for cash or through a cashless exchange. The SVB Warrant was terminated on April 26, 2021 with a consideration paid by the Company of USD286,716 which was approximate to the fair market value.

In November 2020, the Company and China Equities HK Limited (“**CEHK**”), a related party of Shanghai Pudong Development Silicon Valley Bank and an Independent Third Party, entered into an agreement where our Company issued certain warrants to CEHK (the “**CEHK Warrant**”), which can be exercised for cash or through a cashless exchange. On June 27, 2023, the Company and CEHK entered into an agreement to terminate the CEHK Warrant and all rights attached thereto with a consideration of USD628,893.80 determined on an arm’s length basis paid by the Company on June 28, 2023.

4. Share repurchase

On December 28, 2017, the Company repurchased a total of 4,000,000 Series A Preferred Shares from Marvel Stars, Garland International (Holdings) Limited, and Hu Xiaochen, at a cash consideration of US\$0.30 per Share. On April 30, 2019, the Company redeemed a total of 6,000,000 Series A Preferred Shares from Yang Yuxin, Billion Fortune Investment Limited, and Wingsky Investments Limited, at a cash consideration of US\$0.5821 per Share. On March 31, 2021, the Company repurchased a total of 9,000,000 Ordinary Shares from Marvel Stars at a cash consideration of US\$0.80 per Share. The above transactions were conducted on an arm’s length basis.

5. Share incentive schemes

We have adopted and revised the Pre-IPO Share Plan on September 7, 2016 and December 31, 2021, respectively. The total number of Shares reserved for the Pre-IPO Share Plan is 156,847,868 Shares. As of the Latest Practicable Date, our Company has granted options under the Pre-IPO Share Plan to subscribe for an aggregate of 156,847,868 Shares (i.e., all Shares reserved for the Pre-IPO Share Plan) under the terms and conditions of the Pre-IPO Share Plan. Within such 156,847,868 Shares, (i) 24,187,308 Shares were issued to Excellent Ocean Trust, an independent professional trustee to manage the options granted to 12 grantees under the Pre-IPO Share Plan, (ii) 22,689,107 Shares were issued to a total of 88 employees of the Group pursuant to the Pre-IPO Share Plan of the Company, and (iii) 109,971,453 Shares may be further issued under the Pre-IPO Share Plan, representing approximately 20.66% of the issued share capital of our Company as of the Latest Practicable Date and 19.32% of the total issued share capital of our Company immediately following the completion of the Global Offering. As the Shares held by Excellent Ocean Trust is subject to lock-up requirements pursuant to Rule 18C.14 of the Listing Rules, our Company will not be able to grant these Shares to the corresponding grantees under the Pre-IPO Share Plan for 12 months commencing from the Listing Date. See “– Lock-up Periods” in this section and “Appendix IV – Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Plan” for details.

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We have adopted the Post-IPO Share Plan on July 26, 2024. The maximum aggregate number of Shares reserved for the Post-IPO Share Plan is 56,916,925 Shares (assuming the Offer Size Adjustment Option is not exercised) or 57,471,925 Shares (assuming the Offer Size Adjustment Option is exercised in full), representing 10% of the total number of the Shares in issue as at the Listing Date. See “Appendix IV – Statutory and General Information – D. Share Incentive Schemes – 2. Post-IPO Share Plan” for details.

6. Merger with Triumphant Star and United Path

In order to streamline our corporate structure, special resolutions were passed by our Shareholders pursuant to which Triumphant Star and United Path shall merge with our Company with our Company being the surviving company (the “**Merger**”). Upon the completion of the Merger, the shareholders of Triumphant Star and United Path shall become the direct Shareholders of our Company. Accordingly, Mr. Shan, Ms. Pan, Mr. Xiong Chengyu and Mr. Gu Qun shall directly hold 44,100,000, 8,300,160, 3,200,330 and 1,599,510 Shares, representing 8.29%, 1.56%, 0.60% and 0.30% of our total issued share capital as of the Latest Practicable Date, respectively. The Merger was completed on March 18, 2024, and Triumphant Star and United Path have ceased to exist accordingly..

For changes in our Company’s share capital within the two years immediately before the date of this Prospectus, see “Appendix IV – Statutory and General Information – A. Further Information About Our Group – 2. Changes in Share Capital” for details.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

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PRE-IPO INVESTMENTS

1. Overview

As of the Latest Practicable Date, we have received ten rounds of Pre-IPO Investments since our inception. The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

Pre-IPO Investment	Series A-1 and Series A-2 ⁽⁵⁾		Series B-1	Series B-2	Series B-3	Series B-4	Series B+	Series C	Series C+
	Series A ⁽⁴⁾								
Date of the first subscription agreement	September 18, 2016	December 25, 2017	January 31, 2019	April 30, 2019	September 23, 2019	August 26, 2020	April 12, 2021	May 6, 2021	December 6, 2021
Date of last payment of consideration	December 12, 2017	June 16, 2021	April 16, 2019	June 3, 2019	October 24, 2019	June 14, 2023	June 30, 2023	July 5, 2022	June 16, 2023
Total number of shares subscribed	81,000,000	42,388,282	54,977,656	6,000,000	24,557,864	23,959,003	49,315,790	75,780,089	66,314,154
Cost per share paid to the Company	US\$0.10	US\$0.336	US\$0.7276	US\$0.8003	US\$1.0913	US\$1.2132	US\$2.3972	US\$3.0655	US\$3.473268
Discount to the Offer Price ⁽¹⁾	97.32%	91.00%	80.50%	78.56%	70.76%	67.49%	35.77%	17.86%	6.93%
Total funds received by the Company	US\$8,100,000	US\$14,403,489	US\$40,000,000	US\$4,801,782	US\$26,800,000	US\$29,540,951	US\$118,219,985	US\$235,750,365	US\$218,155,837
Implied pre-money valuations ⁽²⁾	US\$10,000,000	US\$69,000,000	US\$200,000,000	US\$260,000,000	US\$360,000,000	US\$430,000,000	US\$1,000,000,000	RMB9,000,000,000 (equivalent to approximately US\$1,257,053,467)	US\$2,000,000,000

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Pre-IPO Investment	Series A ⁽⁴⁾	Series A-1 and Series A-2 ⁽⁵⁾	Series B-1	Series B-2	Series B-3	Series B-4	Series B+	Series C	Series C+
Implied post-money valuation ⁽⁵⁾	US\$18,100,000	US\$83,403,489	US\$240,000,000	US\$264,801,782	US\$386,800,000	US\$459,540,951	US\$1,118,219,985	US\$1,492,803,832	US\$2,230,326,766 ⁽⁶⁾
Use of proceeds from the Pre-IPO Investments	As of the Latest Practicable Date, approximately 81% of the funds raised from the Pre-IPO Investments had been utilized. All of such proceeds were utilized for the research and development, capital expenditures and general working capital needs of our Group in accordance with the annual consolidated budget of the Company approved by the Pre-IPO Investors.								
Strategic benefits the Pre-IPO Investments brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience.								
Basis of determining the consideration paid	The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between the Company and the Pre-IPO Investors after taking into consideration various factors including but not limited to, (i) status of milestones and prospects of commercialization of our specialist technology products; (ii) our expansion capacity and R&D management system; (iii) strategic layout, execution efficiency and other factors of our Company, and (iv) the timing of the investments, the market value, and the prospects of our business.								
Lock-up period	Each of the Pre-IPO Investors has entered into a deed of lock-up undertaking (the "Deed"), pursuant to which any Shares held by the Pre-IPO Investors will be subject to a lock-up period commencing on the date of the Deed and ending on (and including) a date which is six months from the Listing Date. Our Pathfinder SIs will also be subject to disposal restrictions pursuant to Rule 18C.14 of the Listing Rules. See "Lock-up Periods" in this section for more details.								
Reasons for fluctuations in valuation as compared to the immediate previous round of pre-IPO Investment	The fluctuations in valuation were due to the general business status of our Group, and in particular, the launch and commercialization of our specialist technology products, including but not limited to Huashan A1000, Huashan A1000L and Huashan A1000 Pro, the advancement of our research and development, and the prevailing market sentiment amongst the venture capital markets at the time when the investments were made as detailed below:								
	<p>Northern Light Venture Capital (北極光創業投資), one of our Pathfinder SIs, invested in our Company in Series A, which demonstrated investors' confidence, which also attracted further investments.</p> <p>In 2018, we began commercializing our intelligent imaging solutions and cooperating with our customers, including entering into global strategic cooperation agreement with Bosch.</p> <p style="padding-left: 40px;">In 2020, we accelerated the commercialization of autonomous driving products and solutions and launched Huashan A1000 and Huashan A1000L.</p> <p style="padding-left: 40px;">In 2020 and 2021, we enriched our product line and the commercialization process of our products has been smooth, which further increased our revenue.</p> <p style="padding-left: 40px;">We started planning the mass production of our Huashan Series SoCs, which took place in 2022.</p>								

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Pre-IPO Investment	Series A ⁽⁴⁾	Series A-1 and Series A-2 ⁽⁵⁾	Series B-1	Series B-2	Series B-3	Series B-4	Series B+	Series C	Series C+
<p>Reasons for fluctuations in valuation as compared between the valuation in the Global Offering and the valuation in Series C+, being the latest round of Pre-IPO Investment</p>		<p>We achieved multiple milestones in 2022 and 2023. In 2022, we started mass-production of Huashan A1000/A1000L SoCs. In April 2023, we announced our Wudang Series cross-domain SoCs, the first in the industry to integrate autonomous driving, smart cockpit, body control and other computational domains. In the same year, Geely's vehicle Lynk & Co 08 with our Huashan A1000 SoC installed was mass produced, and Lynk & Co 08 was officially launched.</p>							
			<p>As of the Latest Practicable Date, we partnered with over 30 automotive OEMs and Tier 1 suppliers such as FAW Group, Dongfeng, JAC, Hycan, ECARX, Baidu, Bosch, ZF Group and Marelli. We had design wins for mass production of SoC products for 16 vehicle models with 11 automotive OEMs and Tier 1 suppliers.</p>						

Notes:

- (1) The discount to the Offer Price is calculated based on the assumption that (i) the Offer Price is HK\$29.15 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$28.00 and HK\$30.30; and (ii) all Preferred Shares have been converted into Shares on a one-to-one basis.
- (2) The implied pre-money valuation is calculated based on (i) the cost per share paid to the Company for the corresponding round of Pre-IPO Investment and (ii) the issued share capital of the Company immediately prior to the corresponding round of Pre-IPO Investment.
- (3) The implied post-money valuation is the sum of (i) the pre-money valuation for the corresponding round of Pre-IPO Investment and (ii) the total funds received by the Company from the corresponding round of Pre-IPO Investment.

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- (4) On December 28, 2017, the Company repurchased a total of 4,000,000 Series A Preferred Shares from Marvel Stars, Garland International (Holdings) Limited, and Mr. Hu Xiaochen, at a cash consideration of US\$0.30 per Share. On April 30, 2019, the Company redeemed a total of 6,000,000 Series A Preferred Shares from certain investors, namely Mr. Yang Yuxin, Billion Fortune Investment Limited, and Wingsky Investments Limited, at a cash consideration of US\$0.5821 per Share.
- (5) On December 28, 2017, (i) Nio Changjiang 1st Investment Ltd. (“**Nio Changjiang**”) entered into an agreement with the Company to subscribe for one Series A-2 Preferred Share at a price of US\$0.336 per Share, and (ii) Hubei Yangtze River Weilai New Energy Industry Development Fund Partnership (L.P.) (湖北長江蔚來新能產業發展基金合夥企業(有限合夥)) (“**Hubei Nio**”) subscribed for a warrant to purchase 14,714,284 Series A-1 Preferred Shares at a price of US\$0.336 per Share. On January 7, 2022, (i) the warrant of Hubei Nio was exercised and Great Bravo International Limited (“**Great Bravo**”), as designated by Hubei Nio, subscribed for 14,714,285 Series A-1 Shares at a price of US\$0.336 per Share, and (ii) the Company forfeited and cancelled a total of one Series A-2 Preferred Share held by Nio Changjiang at nil consideration. Immediately following the forfeiture and cancellation, all of the Company’s Series A-2 Preferred Shares were forfeited and cancelled, and the Company no longer maintains a class of Series A-2 Preferred Shares.
- (6) To eliminate the effect of exchange rate differences and to better reflect the valuation of our Company after the latest round of our Pre-IPO Investments, the implied post-money valuation for the series C+ Pre-IPO Investment is calculated based on (i) the cost per share paid to the Company for the Series C+ Pre-IPO Investment and (ii) the issued share capital of the Company immediately after the Series C+ Pre-IPO Investment.

2. Special rights of the Pre-IPO Investors

All Pre-IPO Investors

All of our Pre-IPO Investors were bound by the terms of our previously effective articles of association (the “**Preceding Articles**”), which were replaced by our existing articles of association and will be further replaced by our Articles of Association upon the completion of the Global Offering. Pursuant to the share purchase agreements, shareholders’ agreements and right of first refusal and co-sale agreements entered into by and among the Company and the Pre-IPO Investors from time to time (the “**Shareholders’ Agreements**”), our Preceding Articles and our existing articles of association, the Pre-IPO Investors were granted certain special rights in relation to the Company.

The divestment rights granted to the Pre-IPO Investors under our Preceding Articles and the Shareholders’ Agreements have been terminated prior to the first submission of the listing application to the Stock Exchange for the purpose of the Global Offering, and will only be exercisable if the Listing does not take place. All other special rights under the Pre-IPO Investments shall cease to be effective and be discontinued upon the Listing in accordance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange, including, among others, rights of first refusal, co-sale rights, pre-emptive rights, information rights, dividend rights, liquidation preferences, together with, director appointment rights.

All of the Preferred Shares will be converted into Shares on a one-to-one basis immediately upon completion of the Global Offering, at which time our share capital will comprise of one class of Shares, namely the Ordinary Shares. For further information on the rights attached to the Shares, see “Share Capital”.

3. Compliance with the Guide for New Listing Applicants

On the basis that (i) the consideration for the last Pre-IPO Investment was irrevocably settled on a date, which is more than 120 days before the Listing Date, and (ii) the special rights granted to the Pre-IPO Investors will be suspended upon filing of a listing application and/or shall cease to be effective and be discontinued upon Listing, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

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4. Information relating to our key Pre-IPO Investors

Set out below is a description of our Sophisticated Independent Investors (as defined in Chapter 2.5 of the Guide for New Listing Applicants issued by the Stock Exchange). We have nine Sophisticated Independent Shareholders, five of which respectively holds more than 3% of the total issued shares of the Company as of the Latest Practicable Date. Save for being a shareholder of our Company and as disclosed otherwise, each of our Sophisticated Independent Investors is independent from and not connected with any Director, chief executive or substantial shareholder of our Company, its subsidiaries or any of their respective associates (within the meaning of the Listing Rules). Save for the Northern Light SIIs, the Oceanpine SIIs and the SummitView SIIs as disclosed herein, each of the Pre-IPO Investors is independent from each other. Each of the ultimate beneficial owners of the Pre-IPO Investors is an Independent Third Party.

Our Pathfinder SIIs

- (a) **Northern Light SIIs (being Northern Light Venture Fund IV, L.P., Northern Light Strategic Fund IV, L.P., and Northern Light Partners Fund IV, L.P.):** Each of the Northern Light SIIs is an exempted limited partnership established in the Cayman Islands, and is ultimately managed by Northern Light Venture Capital as the general partner, a venture capital firm ultimately controlled by Mr. Deng Feng with several funds in USD and RMB targeting early stage opportunities in enterprise, healthcare, and consumer sectors. Northern Light Venture Fund IV, L.P. has 26 limited partners, each of whom holds less than one-third of the interests therein. Northern Light Strategic Fund IV, L.P. has four limited partners where one holds more than one-third of the interests therein and each of the rest holds less than one-third of the interests therein. Northern Light Partners Fund IV, L.P. has eight limited partners where one holds more than one-third of the interests therein and each of the rest holds less than one-third of the interests therein. The limited partners holding more than one-third of interests in Northern Light Strategic Fund IV, L.P. and Northern Light Partners Fund IV, L.P. respectively do not overlap. The limited partners of the Northern Light SIIs comprise mainly institutional investors such as pension and endowment funds who are Independent Third Parties. The Group became acquainted with Northern Light SIIs by way of personal acquaintance with the partners of Northern Light Venture Capital. As of the Latest Practicable Date, the Northern Light SIIs hold approximately 10.47% of the total issued shares of the Company. Dr. YANG Lei, our non-executive Director, was a partner at Northern Light Venture Capital from February 2010 to October 2021. The assets under management (“AUM”) of Northern Light Venture Capital was approximately HK\$17.69 billion as of June 30, 2016⁽¹⁾, and approximately HK\$31.19 billion as of September 30, 2023, respectively. As each of Northern Light SIIs is ultimately managed by Northern Light Venture Capital, the different shareholding entities are purely different funds managed by the same fund manager and should be aggregated as one Pathfinder SII pursuant to Chapter 2.5 of the Guide for New Listing Applicants issued by the Stock Exchange. In compliance with Rule 18C.05 of the Listing Rules, the Northern Light SIIs held approximately 11.48% and 12.53% of the total issued share capital of the Company, as of June 29, 2023 (being the date of submission of the Company’s first listing application) and June 29, 2022 (being the commencement date of the pre-application 12-month period), respectively.

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- (b) **Oceanpine SII**s (being **Oceanpine Investment Fund II LP** and **Bright Sapphire Holding Inc**): Oceanpine Investment Fund II LP is an exempted limited partnership registered in the Cayman Islands with eight limited partners and Oceanpine Growth (Cayman) Limited (“**Oceanpine**”) as its general partner. Bright Sapphire Holding Inc is wholly owned by an Independent Third Party. Both Oceanpine Investment Fund II LP and Bright Sapphire Holding Inc are managed by Oceanpine. Oceanpine is wholly owned by Mr. Dave Liguang Chenn, the founder and chief executive officer of Oceanpine Capital, an institutional growth equity investment company which invests in innovative and disruptive growth companies such as technology, media and telecommunications (TMT) and healthcare sectors. Examples of portfolio companies include Shanghai Enflame Technology Co. Ltd. (上海燧原科技有限公司) (an artificial intelligence chips and cloud computing platform), Moore Threads Technology Co. Ltd (摩爾線程智能科技有限責任公司) (a graphics processing unit (GPU) design company), Giant Biogene Holding Co., Ltd (巨子生物控股有限公司) (stock code: 02367.HK), SVOLT Energy Technology Co., Ltd. (蜂巢能源科技股份有限公司) (a company specializing in manufacturing of automotive power batteries and energy storage), and Beijing Zhongke Haina Technology Co. Ltd. (北京中科海納科技有限責任公司) (a company engaged in R&D and production of new generation sodium-ion batteries). Oceanpine is responsible for the Oceanpine SII’s investment decisions through Oceanpine’s investment committee, investment management and other daily administrative work. Oceanpine does not have any proprietary investment in the Oceanpine SII’s. The investors of the Oceanpine SII’s are sophisticated industrial investors and family offices with substantial investment experience which are Independent Third Parties. The Group became acquainted with Oceanpine SII’s upon introduction by other Pre-IPO Investors. As of the Latest Practicable Date, the Oceanpine SII’s hold approximately 5.44% of the total issued shares of the Company. Oceanpine SII’s had an AUM of approximately HK\$5.9 billion as of September 25, 2020⁽¹⁾ and approximately HK\$14.3 billion as of December 31, 2023 derived primarily from the valuation of their investments in Specialist Technology Companies) in the sectors of next-generation information technology, new energy and environmental protection, and advanced hardware and software, respectively. As Oceanpine is responsible for the Oceanpine SII’s investment decisions, the different entities are purely different funds or entities managed by the same fund manager and should be aggregated as one Pathfinder SII pursuant to Chapter 2.5 of the Guide for New Listing Applicants issued by the Stock Exchange. In compliance with Rule 18C.05 of the Listing Rules, the Oceanpine SII’s held approximately 5.97% and 6.52% of the total issued share capital of the Company, as of June 29, 2023 (being the date of submission of the Company’s first listing application) and June 29, 2022 (being the commencement date of the pre-application 12-month period), respectively.

Our Pathfinder SII’s, in aggregate, held approximately 17.45% and 19.05% of the total issued share capital of the Company, as of June 29, 2023 (being the date of submission of the Company’s first listing application) and June 29, 2022 (being the commencement date of the pre-application 12-month period), respectively.

Our Other Sophisticated Independent Investors

- (c) **SummitView Slls (being Jiaxing Xincan Equity Investment Partnership (Limited Partnership) (嘉興信燦股權投資合夥企業(有限合夥)) (“Jiaxing Xincan”) and Shanghai Jixin Enterprise Management Limited Partnership (上海極芯企業管理合夥企業(有限合夥)) (“Shanghai Jixin”)):** Each of the SummitView Slls is a limited partnership established under the laws of the PRC. The SummitView Slls are managed by SummitView Capital (M&A). SummitView Capital (M&A) is established in 2015 focusing on investing in the information technology, advanced materials and clean energy etc. Examples of portfolio companies include companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, such as Will Semiconductor Co., Ltd. (上海韋爾半導體股份有限公司) (stock code: 603501) Wingtech Technology Co., Ltd. (聞泰科技股份有限公司) (stock code: 600745), and Ingenic Semiconductor Co., Ltd. (北京君正集成電路股份有限公司) (stock code: 300223).

For Jiaxing Xincan, its general partner is Shanghai Jixin Enterprise Management Partnership (Limited Partnership) (上海霽信企業管理合夥企業(有限合夥)), which is ultimately managed by SummitView Capital (M&A) and it also holds 5% interests in Jiaxing Xincan. All the limited partners are Independent Third Parties where the largest limited partner of Jiaxing Xincan is Shanghai Zhineng Industrial Electronics Co., Ltd. (上海致能工業電子有限公司) (“**Shanghai Zhineng**”) which holds approximately 64% limited partnership interests, with the rest of the limited partners, each holding less than one-third of the interests therein. Shanghai Zhineng is held by Shanghai Venture Capital Co., Ltd. (上海創業投資有限公司) and SummitView Capital (M&A) as to more than 50% in aggregate.

For Shanghai Jixin, its general partner is Shanghai Youxin Investment Management Co., Ltd. (上海由芯投資管理有限公司), which is ultimately managed by SummitView Capital (M&A) and it also holds nominal interests in Shanghai Jixin. Its limited partners are Shanghai SummitView IC M&A Investment Limited Partnership III (上海武岳峰三期私募投資基金合夥企業(有限合夥)) (“**Shanghai SummitView IC M&A**”) as to approximately 60% limited partnership interests and Guangdong SummitView IC M&A Investment Limited Partnership (廣東武岳峰集成電路股權投資合夥企業(有限合夥)) (“**Guangdong SummitView IC M&A**”), as to approximately 40% limited partnership interests. Both Shanghai SummitView IC M&A and Guangdong SummitView IC M&A are ultimately managed by SummitView Capital (M&A). Within Shanghai SummitView IC M&A, the largest limited partner therein is Shanghai SummitView Pujiang Equity Investment Limited Partnership II (上海武岳峰浦江二期股權投資合夥企業(有限合夥)), which is managed by SummitView Capital (M&A), together with each of its other limited partners, which are Independent Third Parties, each holds less than one-third of the interests therein. Within Guangdong SummitView IC M&A, there are ten limited partners, each of which holds less than one-third of the interests therein and are Independent Third Parties.

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The Group became acquainted with the SummitView SII as it actively sought after SummitView SII given their background as reputable investors in the high-tech industry. As of the Latest Practicable Date, the SummitView SII collectively hold approximately 7.00% of the total issued shares of the Company. The AUM of SummitView Capital (M&A) was approximately HK\$13.2 billion as of 31 December 2020⁽¹⁾ with more than HK\$5 billion in Specialist Technology Companies, and approximately HK\$23.3 billion as of December 31, 2023 with approximately HK\$15.4 billion in Specialist Technology Companies.

- (d) **Xiaomi SII (being Shanghai Ziyue Enterprise Management Consulting Partnership (L.P.) (上海籽月企業管理諮詢合夥企業(有限合夥)) (“Shanghai Ziyue”)):** Shanghai Ziyue is a limited partnership established under the laws of the PRC and is held as the investment holding entity as to approximately 99% by Hubei Xiaomi Changjiang Industrial Fund Partnership (Limited Partnership) (湖北小米長江產業基金合夥企業(有限合夥)) (“**Xiaomi Changjiang**”). Xiaomi Corporation (stock code: 01810.HK), a company listed on the Hong Kong Stock Exchange, has proprietary interests of approximately 19.6% in Xiaomi Changjiang and controls Xiaomi Changjiang through its general partner. The general partner of each of Shanghai Ziyue and Xiaomi Changjiang is Hubei Xiaomi Changjiang Industrial Investment Fund Management Co., Ltd. (湖北小米長江產業投資基金管理有限公司) (“**Xiaomi Industrial Investment**”), which is indirectly held as to 80% by Xiaomi Corporation and is one of the investment managers of Xiaomi Corporation responsible for managing Xiaomi Corporation’s industrial investment portfolio. Xiaomi Industrial Investment has investment experience in intelligent manufacturing sector. Examples of portfolio companies include companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, Luster LightTech Co., Ltd. (凌雲光技術股份有限公司) (stock code: 688400), Guangzhou Fangbang Electronics Co., Ltd. (廣州方邦電子股份有限公司) (stock code: 688020), and Shenzhen Lihexing Co. Ltd. (深圳市利和興股份有限公司) (stock code: 301013). The Group became acquainted with Xiaomi SII through industry research and industry events. As of the Latest Practicable Date, Shanghai Ziyue holds approximately 3.69% of the total issued shares of the Company. Xiaomi Corporation has a diverse investment portfolio of approximately RMB74.5 billion as of June 30, 2021⁽¹⁾ and approximately RMB68.9 billion as of September 30, 2023, respectively.
- (e) **Tencent SII (being Image Frame Investment (HK) Limited):** Image Frame Investment (HK) Limited is a company incorporated in Hong Kong and is a wholly owned subsidiary of Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00700.HK). Tencent is a world-leading internet and technology company that develops innovative products and services to improve the quality of life of people around the world, including communications and social networks, games, digital content, advertising, fintech and cloud services. The Group became acquainted with the Tencent SII as it actively sought after the Tencent SII given its background as a reputable investor. As of the Latest Practicable Date, Image Frame Investment (HK) Limited holds approximately 3.53% of the total issued shares of the Company. Tencent Holdings Limited has a diverse investment portfolio of approximately RMB878.7 billion as of December 31, 2021⁽¹⁾ and approximately RMB701.7 billion as of December 31, 2023, respectively.

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- (f) **BOCGI SII (being Sky Apex Limited (成堅有限公司)):** Sky Apex Limited is a company incorporated in Hong Kong and is wholly owned and controlled by Bank of China Group Investment Limited (中銀集團投資有限公司) (“**BOCGI**”), a wholly owned subsidiary of Bank of China Limited (中國銀行股份有限公司) (“**BOC**”), and its main business includes direct investment and investment management business, and BOC is a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (A-share stock code: 601988.SH, H-share stock code: 03988.HK and offshore preference share stock code: 04619.HK). Examples of portfolio companies include Dajiang Innovations Technology Co., Ltd (大疆創新科技(香港)有限公司) (a developer and manufacturer in UAV autopilot systems), Beijing Fourth Paradigm Technology Co., Ltd. (北京第四範式智能技術股份有限公司) (stock code: 06682.HK), and SVOLT Energy Technology Co., Ltd. (蜂巢能源科技股份有限公司) (a company specializing in manufacturing of automotive power batteries and energy storage). Sky Apex Limited is an investment vehicle set up by BOCGI for the sole purpose of investment holdings. The Group became acquainted with the BOCGI SII as it actively sought after the BOCGI SII given its background as a reputable investor. As of the Latest Practicable Date, Sky Apex Limited holds approximately 2.71% of the total issued shares of the Company. The main investment businesses of BOCGI include corporate equity investments, fund investments, real estate investments, and distressed asset investments. The AUM of BOCGI in these businesses was approximately HK\$118.7 billion as of June 30, 2021⁽¹⁾ and approximately HK\$124.92 billion as of December 31, 2023, respectively.
- (g) **Future Industry Investment Fund II (L.P.) (先進製造產業投資基金二期(有限合伙)) (“Future Industry Fund”):** Future Industry Fund is a limited partnership established under the laws of the PRC. The general partner of Future Industry Fund is CS Capital Co., Ltd. (國投招商投資管理有限公司) (“**CS Capital**”), which is a private equity fund company. Future Industry Fund has over 30 limited partners, each of whom holds less than one-third of the interests therein. The Future Industry Fund focuses on four investment areas, namely, new energy vehicles, life sciences, smart manufacturing, and information and communication technology. The Group became acquainted with CS Capital and Future Industry Fund as it actively sought after them being reputable investors. As of the Latest Practicable Date, Future Industry Fund holds approximately 2.33% of the total issued shares of the Company. The AUM of CS Capital was approximately RMB59 billion as of June 30, 2021⁽¹⁾ and approximately RMB57.6 billion as of December 31, 2023, respectively.

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- (h) **Geely SII (being GCF Prosperity Limited):** GCF Prosperity Limited is a company incorporated in the BVI and is ultimately controlled by Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), which is the parent company of Geely Automobile Holdings Limited (吉利汽車控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00175.HK). The Group became acquainted with Geely SII through discussions on business cooperations. In March 2023, we announced cooperation with an affiliate of Geely to install our A1000 SoC on some of Geely's vehicles. As of the Latest Practicable Date, GCF Prosperity Limited holds approximately 0.78% of the total issued shares of the Company. According to Frost & Sullivan, Geely Automobile Holdings Limited is a key participant in the downstream automotive industry in terms of sales volume of all types of vehicles by automobile groups in the PRC as of December 31, 2021⁽¹⁾ and December 31, 2023, respectively.
- (i) **SAIC Motor SII (being SAIC Technologies Fund II, LLC):** SAIC Technologies Fund II, LLC is a limited liability company incorporated in Delaware, the United States and is ultimately controlled by SAIC Motor (上海汽車), a company listed on the Shanghai Stock Exchange (stock code: 600104.SH). The Group became acquainted with SAIC Motor SII through discussions on business cooperations. In October 2021, we entered into a strategic cooperation agreement with SAIC Motor. As of the Latest Practicable Date, SAIC Technologies Fund II, LLC holds approximately 0.52% of the total issued shares of the Company. According to Frost & Sullivan, SAIC Motor is a key participant in the downstream automotive industry in terms of sales volume of all types of vehicles by automobile groups in the PRC as of December 31, 2018⁽¹⁾ and December 31, 2023, respectively.

(1) being a date not more than six months prior to the date on which the relevant investor signed the relevant definitive agreement for their investment in the Company

Other key Pre-IPO Investors

We set out below descriptions of our other key Pre-IPO Investors which, together with Mr. Shan, Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu, Mr. Gu Qun, Glide Expert, Excellent Ocean Trust, the individuals shareholders who are our employees and the SIIs, held more than 80% of our total issued share capital as of the date of this Prospectus:

- (a) **Great Bravo International Limited:** Great Bravo is a company incorporated in the BVI and is wholly owned by Shanghai Weiyi Corporate Management Consulting Partnership Company (Limited Partnership) (上海蔚奕企業管理諮詢合夥企業(有限合夥)) (“Shanghai Weiyi”). Shanghai Weiyi is an affiliate of Hubei Yangtze River NIO New Energy Industrial Development Fund LLP (湖北長江蔚來新能源產業發展基金合夥企業(有限合夥)), a leading, market-oriented private equity investment firm focusing on investing in mobility, energy, materials and other related sectors, which insists on sustainable investments with a focus on innovations in decarbonization and digitalization. As of the Latest Practicable Date, Great Bravo holds approximately 2.76% of the total issued shares of the Company.

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- (b) **SL Capital Fund I, L.P.:** SL Capital Fund I, L.P. is an exempted limited partnership incorporated under the laws of the Cayman Islands. The largest limited partner of SL Capital Fund I, L.P. is Great Unity Fund I, L.P. which holds approximately 84.5% interests, with three other limited partners each holding less than 10% of the interests therein. The general partner of SL Capital Fund I, L.P. is ultimately controlled by SK Inc. (formerly known as SK Holdings Co., Ltd), SK Telecom Co., Ltd, SK Innovation Co., Ltd, Mr. Chen Hao, Mr. Li Jiaqing, Mr. Zhu Linan and Mr. Wang Nengguang, who are Independent Third Parties. As of the Latest Practicable Date, SL Capital Fund I, L.P. holds approximately 2.30% of the total issued shares of the Company.
- (c) **Wuxi Semi Ark Investment Limited Partnership:** Wuxi Semi Ark Investment Limited Partnership is a limited partnership established under the laws of the PRC. Its limited partners are Shanghai Wenxin Enterprise Management Partnership (Limited Partnership) (上海聞芯企業管理合夥企業(有限合夥)) which holds approximately 55% interests therein, Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司) which holds approximately 29.1% therein, Wuxi Guofa Capital Operation Co., Ltd. (無錫市國發資本運營有限公司) which holds approximately 10% therein, and two other limited partners each holding less than 5% of the interests therein. The general partner of Wuxi Semi Ark Investment Limited Partnership is ultimately controlled by Mr. Zhang Xuezheng, who is an Independent Third Party who holds approximately 0.80% of the total issued shares of the Company as of the Latest Practicable Date through Wen Tian Xia Technology Group Co., Ltd. (聞天下科技集團有限公司). As of the Latest Practicable Date, Wuxi Semi Ark Investment Limited Partnership holds approximately 1.87% of the total issued shares of the Company.
- (d) **MSA Growth Fund II, L.P.:** MSA Growth Fund II, L.P. is an exempted limited partnership duly incorporated under the laws of the Cayman Islands. Its general partner is MSA China Growth Fund II GP, LLC, which is an affiliated entity of MSA Capital. MSA Capital is a global investment firm supporting innovative and disruptive companies in biotechnology, enterprise-facing core technology, and consumer sectors. As of the Latest Practicable Date, MSA Growth Fund II, L.P. holds approximately 1.86% of the total issued shares of the Company.
- (e) **Beijing Singularity Power Investment Fund L.P. (北京芯動能投資基金(有限合夥)) (“Beijing Singularity Power”):** Beijing Singularity Power is a limited partnership established under the laws of the PRC. Its largest limited partners are BOE Technology Group Co., Ltd. (京東方科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000725), and China Integrated Circuit Industry Investment Fund Co., Ltd. (國家集成電路產業投資基金股份有限公司), each of whom is an Independent Third Party holding approximately 37.4% interests therein. Each of the rest of the limited partners of Beijing Singularity Power is an Independent Third Party which holds less than one-third of the interests therein. The general partner of Beijing Singularity Power is Beijing Yichen Singularity Investment Center (Limited Partnership) (北京益辰奇點投資中心(有限合夥)), whose largest shareholder is Mr. Wang Jiaheng, an Independent Third Party. As at the Latest Practicable Date, Beijing Singularity Power holds approximately 1.66% of the total issued shares of the Company.

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- (f) **Wider Link Enterprise Investment Limited (德弘企業投資有限公司) (“Wider Link”)**: Wider Link is a company incorporated in Hong Kong and is wholly owned by an Independent Third Party. As at the Latest Practicable Date, Wider Link holds approximately 1.57% of the total issued shares of the Company.
- (g) **Hina Group Fund IX, L.P. (“Hina Group”)**: Hina Group is an exempted limited partnership incorporated under the laws of the Cayman Islands. The largest limited partner of Hina Group is Hina Group Fund V, L.P., which holds approximately 71.42% interests therein, with two other limited partners each holding less than 20% of the interests therein. Each of the limited partners of Hina Group is an Independent Third Party. The general partner of Hina Group is The Hina Group Holdings, which is ultimately controlled by Mr. Chen Hong, an Independent Third Party. The Hina Group Holdings is a cross-border investment banking and private equity firms in the PRC focusing on investing in companies across a wide variety of sectors including technology, consumption and healthcare. As at the Latest Practicable Date, Hina Group holds approximately 1.51% of the total issued shares of the Company.
- (h) **Yick Cheong Petrotech Services Limited (益昌石油技術服務有限公司) (“Yick Cheong”)**: Yick Cheong is a company incorporated in Hong Kong and is indirectly wholly owned by an Independent Third Party. As at the Latest Practicable Date, Yick Cheong holds approximately 1.35% of the total issued shares of the Company.
- (i) **Delta Capital Growth Fund II, L.P. (“Delta Capital Fund”)**: Delta Capital Fund is an exempted limited partnership incorporated under the laws of the Cayman Islands. Delta Capital Fund has over 20 limited partners, each of whom is an Independent Third Party holding less than one-third of the interests therein. Delta Capital Fund is an affiliate of Delta Capital, an early-growth equity investment fund platform in the PRC with an investment portfolio across a wide spectrum of industries including information technology, intelligent manufacturing, healthcare and consumption service. As at the Latest Practicable Date, Delta Capital holds approximately 1.24% of the total issued shares of the Company.
- (j) **FutureX Lota Limited (“FutureX”)**: FutureX is a company incorporated in the BVI with limited liability and is wholly owned by FutureX ICT Opportunity Fund II LP (“FutureX ICT”), whose general partner is FutureX Innovation II Limited which is indirectly wholly owned by Ms. Zhang Qian, an Independent Third Party. The investment manager of FutureX ICT is FutureX Fund Management (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability which is indirectly wholly owned by Ms. Zhang Qian. As at the Latest Practicable Date, FutureX holds approximately 1.23% of the total issued shares of the Company.

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- (k) **Hong Kong Red Star Macalline Universal Home Furnishings Limited (香港紅星美凱龍全球家居有限公司) (“Hong Kong Red Star Macalline”):** Hong Kong Red Star Macalline is a company incorporated in Hong Kong and is a wholly owned subsidiary of Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1528). As at the Latest Practicable Date, Hong Kong Red Star Macalline holds approximately 1.11% of the total issued shares of the Company.
- (l) **Shanghai Juyuan Qitai Investment Center (Limited Partnership) (上海聚源啟泰投資中心 (有限合夥)) (“Shanghai Juyuan”):** Shanghai Juyuan is a limited partnership established under the laws of the PRC. Its limited partners include China IC Capital (Ningbo) Co., Ltd., an Independent Third Party which holds approximately 33% interests therein. The general partner of Shanghai Juyuan is Juyuan (Ningbo) Capital, LLP, an Independent Third Party. As at the Latest Practicable Date, Shanghai Juyuan holds approximately 0.94% of the total issued shares of the Company.
- (m) **Shanghai Jixiu Management Consulting Limited Partnership (上海吉岫管理諮詢合夥企業(有限合夥)) (“Shanghai Jixiu”):** Shanghai Jixiu is a limited partnership established under the laws of the PRC. Its largest limited partner is Shanghai Liliang Technology Trading Co., Ltd. (上海麗諒科技貿易有限公司) (“Shanghai Liliang”) which holds approximately 64.3% interests therein, with rest of the limited partners each holding less than 10% of the interests therein. Each of the limited partners of Shanghai Jixiu is an Independent Third Party. Shanghai Liliang is a wholly owned subsidiary of Laichen International Co., Limited (麗宸國際有限公司), which is ultimately controlled by an Independent Third Party. The general partner of Shanghai Jixiu is ultimately controlled by Mr. Chen Yongyang, who is an Independent Third Party. As at the Latest Practicable Date, Shanghai Jixiu holds approximately 0.93% of the total issued shares of the Company.
- (n) **Jiangsu Guoshou Jiequan Equity Investment Center (L.P.) (江蘇國壽遼泉股權投資中心(有限合夥)) (“Jiangsu Guoshou”):** Jiangsu Guoshou is a limited partnership established under the laws of the PRC. Its largest limited partner is China Life Insurance Company Limited (中國人壽保險股份有限公司) (“China Life Insurance”), a company listed on the Shanghai Stock Exchange (stock code: 601628) and the Hong Kong Stock Exchange (stock code: 2628.HK) and an Independent Third Party, which holds approximately 60% interests therein. Each of the rest of the limited partners of Jiangsu Guoshou is an Independent Third Party which holds less than one-third of the interests therein. The general partner of Jiangsu Guoshou is an indirect wholly owned subsidiary of China Life Insurance. As at the Latest Practicable Date, Jiangsu Guoshou holds approximately 0.93% of the total issued shares of the Company.

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- (o) **BITE Direct Fund III LP (“BITE Direct Fund”)**: BITE Direct Fund is an exempted limited partnership incorporated under the laws of the Cayman Islands. BITE Direct Fund has six limited partners, each of whom is an Independent Third Party which holds less than one-third of the interests therein. The general partner of BITE Direct Fund is BITE Asset Management, which is ultimately controlled by Mr. William Ruderbeck, an Independent Third Party. As at the Latest Practicable Date, BITE Direct Fund holds approximately 0.92% of the total issued shares of the Company.

- (p) **Shanghai Jisheng Enterprise Management Consulting Partnership (Limited Partnership) (上海霽盛企業管理諮詢合夥企業(有限合夥)) (“Shanghai Jisheng”)**: Shanghai Jisheng is a limited partnership established under the laws of the PRC. Its largest limited partner is Qingdao Xinding Kenge Lusan Equity Investment Partnership (Limited Partnership) (青島新鼎哨哥陸參股權投資合夥企業(有限合夥)) (“Qingdao Xinding”) which holds approximately 98.18% interests therein, with the rest of the limited partners each holding less than 1% of the interests therein. Each of the limited partners of Shanghai Jisheng is an Independent Third Party. The general partner of each of Shanghai Jisheng and Qingdao Xinding is Beijing Xinding Rongsheng Capital Management Co., Ltd. (北京新鼎榮盛資本管理有限公司), which is ultimately controlled by Mr. Zhang Chi, an Independent Third Party. As at the Latest Practicable Date, Shanghai Jisheng holds approximately 0.85% of the total issued shares of the Company.

5. Meaningful investment from Sophisticated Independent Investors

We have received investments from two Pathfinder SIIs, namely the Northern Light SIIs and the Oceanpine SIIs, each having invested in the Group for at least 12 months prior to the first submission of our listing application to the Stock Exchange for the purpose of the Global Offering. In accordance with Chapter 2.5 of the Guide for New Listing Applicants issued by the Stock Exchange, each of the Northern Light SIIs and the Oceanpine SIIs holds more than 3%, and in aggregate more than 10%, of the issued share capital of the Company as of the date of our listing application and throughout the pre-application 12-month period. For details of the ownership percentage of shareholding in our Company’s share capital of each of the Sophisticated Independent Investors, see “– Capitalization of Our Company”.

As of the Latest Practicable Date, our Sophisticated Independent Investors (as identified above) held, in aggregate, approximately 36.46% in the total issued share capital of our Company. At Listing, such Sophisticated Independent Investors will hold, in aggregate, no less than 15% in the total issued share capital of our Company, assuming that our expected market capitalization at the time of Listing will exceed HK\$15 billion.

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OUR VOTING RIGHTS STRUCTURE

The voting rights structure upon completion of the Global Offering

Pursuant to our existing articles, as of the date of this Prospectus, at all general meetings of the Company, Mr. Shan is entitled to a number of votes equal to ten times the total number of the Ordinary Shares and Preferred Shares held by him, and other Shareholders of our Company are entitled to a number of votes equal to the total number of the Ordinary Shares and Preferred Shares held by such Shareholder.

Upon completion of the Global Offering, all Preferred Shares will be converted into Shares on a one-to-one basis. Pursuant to the Articles of Association to be effective upon completion of the Global Offering, the current weighted voting rights structure will cease upon listing and each Share shall be entitled to one vote on a poll at all general meetings of the Company.

For further details, see the “Summary of the Constitution of the Company and Cayman Island Company Law – Summary of the Constitution of the Company – Articles of Association – Voting Rights” in Appendix III to this Prospectus.

The voting trust agreements

Our founders had mutual intention and understanding that Mr. Shan would be primarily responsible for overseeing the overall business development and formulating objectives and strategies in relation to the management and operation of our Group, as such Mr. Liu, Ms. Pan, Ms. Wang, Mr. Xiong Chengyu and Mr. Gu Qun agreed to consolidate and entrust Mr. Shan to exercise their corresponding voting rights in the Company. Pursuant to the respective voting trust agreements entered into by Mr. Shan with Ms. Pan, Ms. Wang, Mr. Liu, Mr. Xiong Chengyu and Mr. Gu Qun on September 19, 2016, August 24, 2020, January 31, 2023 and January 29, 2024 (the “**Voting Trust Agreements**”), Mr. Shan shall be entitled to exercise the voting rights attached to all Shares held by Ms. Pan, Ruby Wealth (wholly owned by Mr. Liu), New Key Trade (indirectly wholly owned by Mr. Liu’s trust), Marvel Stars (wholly owned by Ms. Wang), Mr. Xiong Chengyu and Mr. Gu Qun at Mr. Shan’s sole discretion. The Voting Trust Agreements shall continue to be effective following completion of the Global Offering, unless and until termination upon mutual consent.

Participants of the Pre-IPO Share Plan had the mutual intention and understanding that Mr. Shan would be primarily responsible for overseeing the overall business development and they intend to align their interests with the Company’s sustainable growth, and therefore, participants who have exercised their options entered into voting trust agreements with Mr. Shan in relation to the voting rights of the Shares they obtained through options exercised. Pursuant to the voting trust agreement entered into by and among Mr. Shan and the independent professional trustee of Excellent Ocean Trust dated June 24, 2024 (the “**ESOP Voting Trust Agreement**”), Mr. Shan shall be entitled to exercise the voting rights attached to all Shares

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held by Excellent Ocean Trust at Mr. Shan's sole discretion. The ESOP Voting Trust Agreement shall continue to be effective following completion of the Global Offering, unless and until termination upon mutual consent.

Similarly, pursuant to the respective voting trust agreements entered into between each of 88 employees of the Group who in total hold 22,689,107 Shares as of the Latest Practicable Date (collectively, the "**Employee Voting Trust Agreements**"), Mr. Shan shall be entitled to exercise the voting rights attached to the Shares held by such employees of the Group at Mr. Shan's sole discretion. The Employee Voting Trust Agreements shall continue to be effective following completion of the Global Offering, unless and until termination upon mutual consent.

For diagrams illustrating the corporate and shareholding structure of our Company immediately prior to and following the Global Offering, see "**– Corporate Structure**".

HISTORY AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The following table sets out our shareholding structure (a) as of the date of this Prospectus and (b) immediately upon the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans).

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾
		Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares			
Northern Light Venture Fund IV, L.P. ⁽²⁾	-	36,492,000	8,054,305	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,815,819	9.55%	8.95%
Mr. Shan ⁽³⁾	42,100,000	2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,100,000	8.29%	7.75%
Shanghai Jixin ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,519,968	4.23%	3.96%
Shanghai Ziyue	-	-	-	-	-	-	-	-	-	-	-	-	-	9,686,223	9,948,858	-	-	-	-	19,635,081	3.69%	3.45%
Image Frame Investment (HK) Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	18,771,901	-	-	-	-	-	18,771,901	3.53%	3.30%
Bright Sapphire Holding Inc	-	-	-	-	-	-	-	-	-	18,326,766	-	-	-	-	-	-	-	-	-	18,326,766	3.44%	3.22%
Great Bravo	-	-	14,714,285	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,714,285	2.76%	2.59%
Jiaxing Xincan ⁽⁴⁾	-	-	-	-	-	9,732,525	-	-	-	-	-	-	-	-	4,974,429	-	-	-	-	14,706,954	2.76%	2.58%
Ruby Wealth ⁽³⁾	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	0.00002%	0.00002%
New Key Trade ⁽³⁾	13,199,900	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,699,900	2.76%	2.58%
Sky Apex Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,395,664	14,395,664	2.71%	2.53%
Future Industry Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,396,098	2.33%	2.18%
SL Capital Fund I, L.P.	-	-	-	-	-	9,503,670	-	-	-	-	-	-	-	-	-	-	-	-	-	12,252,684	2.30%	2.15%

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Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾
		Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares			
Oceanpine Investment Fund II LP	-	10,632,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,632,714	2.00%	1.87%
Wuxi Semi Ark Investment Limited Partnership (無錫方舟投資合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,948,858	-	-	9,948,858	1.87%	1.75%
MSA Growth Fund II, L.P.	-	-	-	-	-	-	-	-	-	-	-	9,890,896	-	-	-	-	-	-	-	9,890,896	1.86%	1.74%
Beijing Singularity Power Investment Fund L.P. (北京芯動能投資基金(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,828,571	1.66%	1.55%
Wider Link Enterprise Investment Limited (德弘 企業投資有限公司)	-	500,000	-	-	-	-	-	-	-	-	-	5,769,690	-	-	2,083,767	-	-	-	-	8,355,457	1.57%	1.47%
Ms. Pan ⁽³⁾	8,300,160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,300,160	1.56%	1.46%
Hima Group Fund IX, L.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,061,572	8,061,572	1.51%	1.42%
Yick Cheong Petrotech Services Limited (益昌石 油技術服務有限公司)	-	2,300,000	-	4,872,207	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,172,207	1.35%	1.26%
Delta Capital Growth Fund II, L.P.	-	-	-	-	4,750,508	1,832,676	-	-	-	-	-	-	-	-	-	-	-	-	-	6,583,184	1.24%	1.16%
FutureX Lota Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,524,261	-	-	6,524,261	1.23%	1.15%
Hong Kong Red Star Macalline Universal Home Furnishings Limited (香港紅星美凱龍全球家居 有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,885,714	1.11%	1.03%
Shanghai Jiyuan Qilai Investment Center (Limited Partnership) (上海聚源啟泰投資中心 (有限合夥))	-	5,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000,000	0.94%	0.88%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾
		Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares				
Shanghai Jixiu Management Consulting Limited Partnership (上海吉岫管理諮詢合夥企業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,974,429	4,974,429	-	-	4,974,429	0.93%	0.87%
Jiangsu Guoshou Jiequan Equity Investment Center (L.P.) (江蘇國壽捷泉股權投資中心(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,974,429	4,974,429	-	-	4,974,429	0.93%	0.87%
BITE Direct Fund III LP	-	-	-	4,893,166	-	-	-	-	-	-	-	-	-	-	-	4,893,166	4,893,166	-	-	4,893,166	0.92%	0.86%
Marvel Stars ⁽³⁾	2,600,000	2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	4,600,000	4,600,000	-	-	4,600,000	0.86%	0.81%
Shanghai Jisheng Enterprise Management Consulting Partnership (Limited Partnership) (上海壽盛企業管理諮詢合夥企業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,503,994	4,503,994	0.85%	0.79%
Beijing Xingtou Youxuan Venture Capital Fund (Limited Partnership) (北京興投優選創業投資基金(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,503,994	4,503,994	0.85%	0.79%
Yinuo Evergreen Investment Limited Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,318,699	4,318,699	-	-	4,318,699	0.81%	0.76%
Jumbo Sheen Fund No. 6 LP	-	-	-	4,240,744	-	-	-	-	-	-	-	-	-	-	-	4,240,744	4,240,744	-	-	4,240,744	0.80%	0.75%
Wen Tian Xia Technology Group Co., Ltd. (聞天下科技集團有限公司)	-	-	-	-	-	-	-	-	-	-	-	4,231,777	-	-	-	4,231,777	4,231,777	-	-	4,231,777	0.80%	0.74%
Northern Light Strategic Fund IV, L.P. ⁽²⁾	-	3,000,000	662,143	515,416	-	-	-	-	-	-	-	-	-	-	-	4,177,559	4,177,559	-	-	4,177,559	0.79%	0.73%
GCF Prosperity Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	4,171,533	-	4,171,533	4,171,533	-	-	4,171,533	0.78%	0.73%
Mochi Holdings Limited (囍智控股有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,171,533	4,171,533	-	-	4,171,533	0.78%	0.73%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾	
		Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares					
Xin Zhi Feng (Wuhan) Private Equity Partnership (LP) (信之風(武漢)股權投資基金合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,171,533	-	-	-	-	4,171,533	0.78%	0.73%	
Wingsky Investments Limited	-	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000	0.56%	0.53%	
Mr. Xiong Chengyu ⁽³⁾	3,200,330	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,200,330	0.60%	0.56%	
Xiamen Delta Yuecheng Venture Investment Limited Partner (廈門達泰悅城創業投資合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	2,920,073	-	-	-	-	-	2,920,073	0.55%	0.51%	
GF Beacon Capital Management Limited (廣發燈塔資本管理有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,879,133	2,879,133	0.54%	0.51%	
SAIC Technologies Fund II, LLC	-	-	-	2,748,883	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,748,883	0.52%	0.48%	
FutureX Lambda Limited	-	-	-	2,609,688	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,609,688	0.49%	0.46%	
Yangzi Xinzhi Artificial Intelligence Investment Corporation (L.P.) (深圳揚子鑫智人工智能投資企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,487,214	-	-	2,487,214	0.47%	0.44%	
Jiaxing Soffir Wo Jie Venture Capital Fund L.P. (嘉興軒沃傑創業投資合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,487,214	-	-	2,487,214	0.47%	0.44%	
Shanghai Zhangjiang Suifeng Innovative Equity Investment Fund Partnership (Limited Partnership) (上海張江穗鋒創股投資基金合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.45%	0.42%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾
		Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares			
Yangzi Xinhui Artificial Intelligence Investment Corporation (L.P.) (深圳揚子鑫慧人工智能投資企業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,251,997	2,251,997	0.42%	0.40%
Dragon Speed Limited (龍龍有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,085,767	-	-	-	-	-	2,085,767	0.39%	0.37%
Billion Fortune Investment Limited (兆祥投資有限公司)	-	2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000,000	0.38%	0.35%
Brilliant Technology Investment Limited (卓輝科技投資有限公司)	-	-	-	3,800,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,800,000	0.71%	0.67%
Shenzhen Runxin Xin Guanxiang Strategic Emerging Industry Private Equity Investment Fund L.P. (深圳潤信新觀象戰略新興產業私募股權投資基金合夥企業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,989,772	-	-	1,989,772	0.37%	0.35%
EI Camino Fund, L.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,727,480	1,727,480	0.32%	0.30%
Jun Dao SPC Fund	-	-	-	1,716,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,716,900	0.32%	0.30%
FutureX Gamma Limited	-	-	-	1,664,342	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,664,342	0.31%	0.29%
Zto Wlm Holding Limited	-	-	-	-	-	-	-	-	-	1,649,408	-	-	-	-	-	-	-	-	-	1,649,408	0.31%	0.29%
FulScience Automotive Electronics Co., Ltd. (富賽汽車電子有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	1,648,482	-	-	-	-	-	-	1,648,482	0.31%	0.29%
Suzhou Oriza Pubua Zhixin Equity Investment L.P. (蘇州元禾璞華智芯股權投資合夥企業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,631,065	0.31%	0.29%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾
		Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares			
Hua Capital Integrated Circuit Fund L.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,631,065	-	-	1,631,065	0.31%	0.29%
Wealth Plus Investments Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,631,065	-	-	1,631,065	0.31%	0.29%
Mr. Gu Qun ⁽³⁾	1,599,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,599,510	0.30%	0.28%
AchieveSky Co., Limited (香港天集有限公司)	-	367,286	1,177,142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,544,428	0.29%	0.27%
Zaoshuang CICV Intelligent Semiconductor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry Investment Center (L.P.) (萊莊國汽智 能半導體產業投資中心(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,492,329	-	-	1,492,329	0.28%	0.26%
Changjiang Industrial Investment Fund Management Co., LTD (長江產業投資私募基金 管理有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,392,840	-	-	1,392,840	0.26%	0.24%
Fenghe Heron Limited	-	-	-	1,374,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,374,441	0.26%	0.24%
Glide Expert	-	1,200,000	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,270,000	0.24%	0.22%
Boyuan Black Seasmoe Holdings Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	1,251,460	-	-	-	-	-	1,251,460	0.24%	0.22%
Wenceslas Holding Limited	-	-	-	-	-	-	-	1,249,492	-	-	-	-	-	-	-	-	-	-	-	1,249,492	0.23%	0.22%
Shanghai Shichuan II Intelligent Technology Partnership (L.P.) (上海實川貳智能科技合夥企 業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,243,607	-	-	1,243,607	0.23%	0.22%
Shanghai Gemlink Yiqu Venture Capital Partnership (Limited Partnership) (上海至顯億 曲創業投資合夥企業(有限合伙))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,243,607	-	-	1,243,607	0.23%	0.22%
EI Camino Fund Infinity, L.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,151,653	1,151,653	0.22%	0.20%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾
		Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares					
Hubei Province Lenovo Yangtze River Science and Technology Industry Fund Partnership (Limited Partnership) (湖北省聯想長江科技產業基金合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,094,374	-	-	1,094,374	0.21%	0.19%
Yao, Zhiyong	-	-	1,030,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,030,000	0.19%	0.18%
Jiaxing Linqing Equity Investment Partnership (L.P.) (嘉興臨慶股權投資合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	994,886	-	-	994,886	0.19%	0.17%
Pacific Creation Limited (創泰有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	978,639	-	-	978,639	0.18%	0.17%
Jia Yuan Holdings Company Limited (佳遠控股有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	971,142	0.18%	0.17%
China Merchants Group Shareholder (being China Merchants Venture Capital Fund, L.P. (招商局創新投資基金有限合夥))	-	-	-	-	948,883	-	-	-	-	-	-	-	-	-	-	-	-	-	-	948,883	0.18%	0.17%
Northern Light Partners Fund IV, L.P. ⁽²⁾	-	508,000	112,123	87,277	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	707,400	0.13%	0.12%
Lin, Hans	-	-	588,571	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	588,571	0.11%	0.10%
Li, Zhongyue	-	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000	0.09%	0.09%
High Production Control Investment Optimal Selection No. 2 (Wuhan) Venture Capital Fund Partnership (Limited Partnership) (高投產控優選二號(武漢)創業投資基金合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	497,443	-	-	497,443	0.09%	0.09%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series A-1		Series B-1		Series B-2		Series B-3		Series B-4		Series B+		Series C		Series C+		Aggregate number of Shares as of the date of this Prospectus	Aggregate ownership percentage as of the date of this Prospectus	Aggregate ownership percentage upon the completion of the Global Offering ⁽¹⁾	
		Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares	Preferred Shares					
Beijing Zhixin Xinyuan Equity Investment Partnership (L.P.) (北京置信遠股權投資合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	497,443	497,443	-	-	497,443	0.09%	0.09%	
Zhuhai Jiada Hanyuan Xuanhui Investment Partnership (L.P.) (珠海交大源宣懷投資合夥企業(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	497,443	497,443	-	497,443	0.09%	0.09%	
Leon International Limited (樂森國際有限公司)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	294,286	0.06%	0.05%	
Nantong Feima Equity Investment Center (L.P.) (南通飛馬股權投資中心(有限合夥))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	248,721	0.05%	0.04%	
Excellent Ocean Trust ⁽⁵⁾	24,187,308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,187,308	4.55%	4.25%	
Shares held by 88 employees of the Group ⁽⁶⁾	22,689,107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,689,107	4.26%	3.99%	
Total as of the date of this Prospectus	117,876,415	71,000,000	42,388,282	54,977,656	6,000,000	24,557,864	23,959,003	49,315,790	75,780,089	66,314,154	532,169,253	100%	-	-	-	-	-	-	-	-	-	-	-
Other Shareholders from the Global Offering	37,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,000,000	-	6.50%	-
Total upon the completion of the Global Offering	569,169,253	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	569,169,253	-	100%	-

Notes:

- (1) Assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, (iii) without taking into account any Shares that may further be issued under the Share Plans, and (iv) none of the existing shareholders subscribe at the Global Offering.
- (2) Each of Northern Light Venture Fund IV, L.P., Northern Light Strategic Fund IV, L.P. and Northern Light Partners Fund IV, L.P. is ultimately managed by the Northern Light Venture Capital.
- (3) Pursuant to the Voting Trust Agreements, Mr. Shan shall be entitled to exercise the voting rights attached to all Shares held by Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu and Mr. Gu Qun at Mr. Shan's sole discretion. For details of our voting rights structure, see “– Our Voting Rights Structure”.
- (4) Each of Shanghai Jixin and Jiaxing Xincan is ultimately managed by SummitView Capital.
- (5) Pursuant to the ESOP Voting Trust Agreement, Mr. Shan, shall be entitled to exercise the voting rights attached to all Shares held by Excellent Ocean Trust at Mr. Shan's sole discretion. For details of our voting rights structure, see “– Our Voting Rights Structure”.
- (6) Pursuant to the Employee Voting Trust Agreements, Mr. Shan shall be entitled to exercise the voting rights attached to the 22,689,107 Shares held by the 88 employees of the Group at Mr. Shan's sole discretion. For details of our voting rights structure, see “– Our Voting Rights Structure”.

HISTORY AND CORPORATE STRUCTURE

PUBLIC FLOAT

Upon completion of the Global Offering, the Shares held by certain Shareholders who are our core connected persons will not be counted towards the public float. Details of these Shareholders are set out below:

Shareholders who are our core connected persons that will not be counted towards the public float	Shareholding percentage of the issued share capital of the Company immediately upon the completion of the Global Offering⁽¹⁾
Mr. Shan ⁽²⁾⁽³⁾	7.75%
Ms. Pan ⁽³⁾	1.46%
Ruby Wealth ⁽³⁾	0.00002%
New Key Trade ⁽³⁾	2.58%
Marvel Stars ⁽³⁾	0.81%
Mr. Xiong Chengyu ⁽³⁾	0.56%
Mr. Gu Qun ⁽³⁾	0.28%
Excellent Ocean Trust ⁽⁴⁾	4.25%
88 employees holding 22,689,107 Shares ⁽⁵⁾	3.99%

Notes:

- (1) Assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans.
- (2) Mr. Shan is our founder, chairman of our Board, executive Director and chief executive officer.
- (3) Pursuant to the Voting Trust Agreements, Mr. Shan shall be entitled to, at his sole discretion, exercise the voting rights attached to all Shares held by Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu and Mr. Gu Qun. For details of our voting rights structure, see “– Our Voting Rights Structure”.
- (4) In light of the ESOP Voting Trust Agreement, Mr. Shan is deemed to be interested in the 24,187,308 Shares held by Excellent Ocean Trust. As such, Excellent Ocean Trust is not considered as a member of “public” for the purpose of Rule 8.24 of the Listing Rules. For details of our voting rights structure, see “– Our Voting Rights Structure”.
- (5) In light of the Employee Voting Trust Agreements, Mr. Shan is deemed to be interested in such 22,689,107 Shares. As such, these Shares will not be considered as “public” for the purpose of Rule 8.24 of the Listing Rules. For details of our voting rights structure, see “– Our Voting Rights Structure”.

Save as provided above, (1) no other Shareholders will be a core connected person of the Company (as defined in the Listing Rules) upon Listing and therefore the Shares held by all the other existing Shareholders will count towards the public float; and (2) upon the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering and (iii) without taking into account any Shares that may further be issued under the Share Plans), all the other existing Shareholders and other Shareholders from the Global Offering will collectively hold 445,792,838 Shares (representing approximately 78.32% of the issued share capital of the Company) which will all be counted towards the public float.

HISTORY AND CORPORATE STRUCTURE

Further, under Rule 18C.10 of the Listing Rules, a Specialist Technology Company must ensure that a portion of the total number of its issued shares listed on the Stock Exchange with a market capitalization of at least HK\$600,000,000 are not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of listing.

Based on the above, it is expected that immediately following completion of the Global Offering, a market capitalization of approximately HK\$1,001.9 million of the Shares listed on the Stock Exchange are not subject to any disposal restrictions at the time of Listing (assuming an Offer Price of HK\$29.15 per Offer Share, being the mid-point of the indicative Offer Price range). Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 and Rule 18C.10 of the Listing Rules.

LOCK-UP PERIODS

The table below sets out the list of persons who are, together with their respective close associates, subject to lock-up requirements pursuant to Rule 18C.14 of the Listing Rules:

Name	Capacity	Aggregate number of Shares held immediately following the completion of the Global Offering ⁽¹⁾	Aggregate ownership percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering ⁽¹⁾	Lock-up period for a Commercial Company
Key persons				
<i>Mr. Shan and his close associates</i>				
Mr. Shan	Founder, chairman of our Board, executive Director and chief executive officer	44,100,000	7.75%	The period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 12 months from the Listing Date, i.e. August 7, 2025.
Ms. Pan	Mr. Shan's close associate	8,300,160	1.46%	
Ruby Wealth	} others ⁽³⁾⁽⁴⁾⁽⁵⁾	100	0.00002%	
New Key Trade		14,699,900	2.58%	
Marvel Stars		4,600,000	0.81%	
Mr. Xiong Chengyu ⁽²⁾		3,200,330	0.56%	
Mr. Gu Qun		1,599,510	0.28%	
Excellent Ocean Trust		24,187,308	4.25%	
88 employees of the Group who exercised the options		22,689,107	3.99%	
<i>Mr. Liu and his close associates</i>				
Mr. Liu	Founder, executive Director and president	14,700,000	2.58%	
Ruby Wealth	} Mr. Liu's close associate	100	0.00002%	
New Key Trade ⁽³⁾		14,699,900	2.58%	

HISTORY AND CORPORATE STRUCTURE

Name	Capacity	Aggregate number of Shares held immediately following the completion of the Global Offering ⁽¹⁾	Aggregate ownership percentage of shareholding in the total issued share capital of our Company following the completion of the Global Offering ⁽¹⁾	Lock-up period for a Commercial Company	
<i>The Northern Light SII</i>					
Northern Light Venture Fund IV, L.P.	} Pathfinder SII	50,815,819	8.93%	The period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date, i.e. February 7, 2025.	
Northern Light Strategic Fund IV, L.P.		4,177,559	0.73%		
Northern Light Partners Fund IV, L.P.		707,400	0.12%		
<i>The Oceanpine SII</i>					
Oceanpine Investment Fund II LP	} Pathfinder SII	10,632,714	1.87%		
Bright Sapphire Holding Inc		18,326,766	3.22%		

Notes:

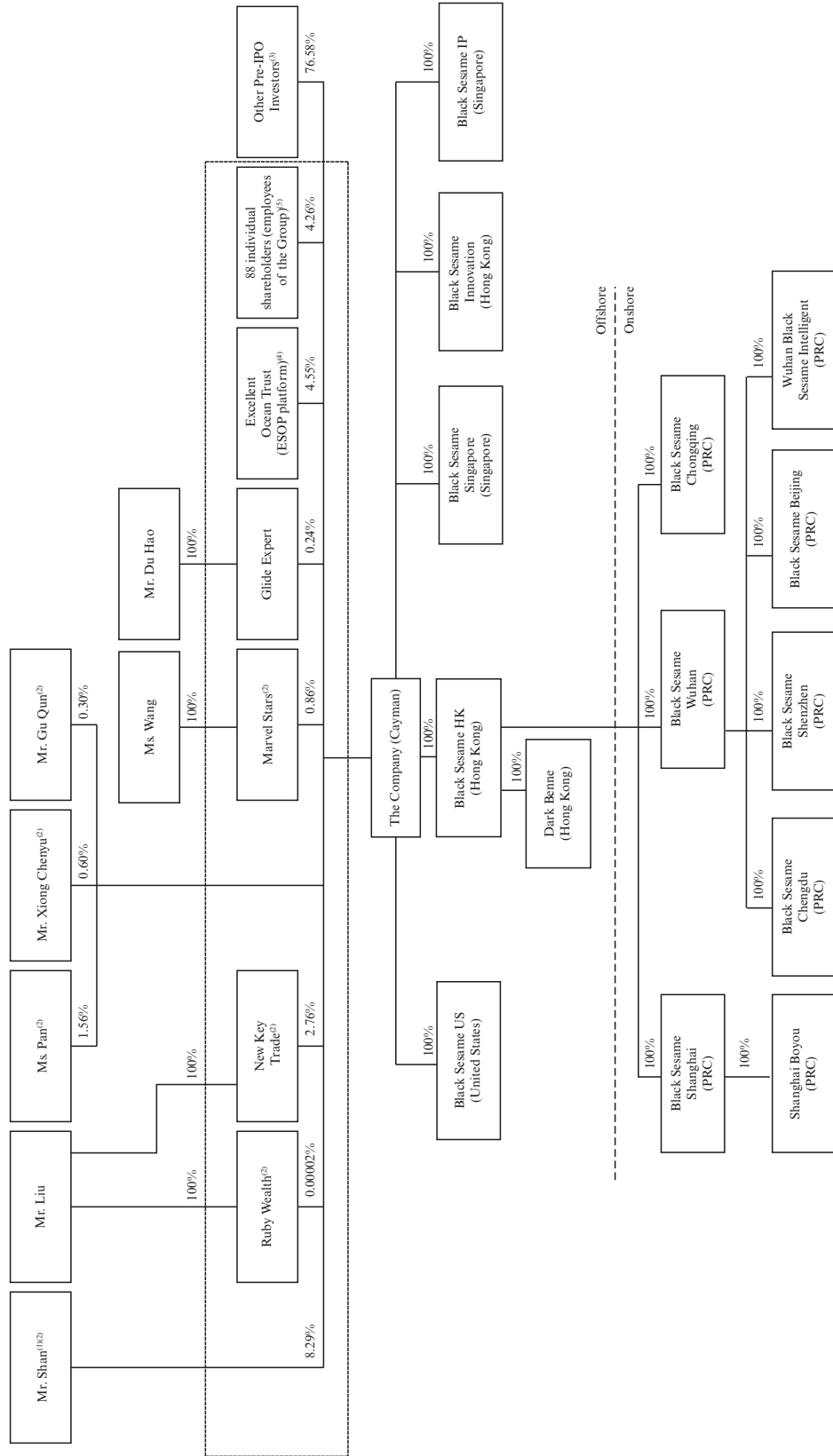
- (1) Assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans.
- (2) Mr. Xiong Chengyu, our vice president for ASIC design, is a key personnel responsible for our technical operations and/or the research and development of our Specialist Technology Products who is subject to lock-up requirements pursuant to Rule 18C.14 of the Listing Rules.
- (3) Ruby Wealth is wholly owned by Mr. Liu while New Key Trade is ultimately owned by Mr. Liu's trusts with its beneficiaries being Mr. Liu and Ruby Wealth. Pursuant to the voting trust agreements entered into by and among Mr. Shan, Mr. Liu, Ms. Pan, Ms. Wang, Mr. Xiong Chengyu and Mr. Gu Qun dated September 19, 2016, August 24, 2020, January 31, 2023 and January 29, 2024 (the "**Voting Trust Agreements**"), Mr. Shan shall be, at his sole discretion, entitled to exercise the voting rights attached to all Shares held by Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu and Mr. Gu Qun. The Voting Trust Agreements shall continue to be effective following completion of the Global Offering. See "– Our Voting Rights Structure – The Voting Trust Agreements" for further details.
- (4) Mr. Shan shall be entitled to exercise the voting rights attached to all Shares held by Excellent Ocean Trust at its sole discretion. See "– Our Voting Rights Structure – The Voting Trust Agreements" for further details.
- (5) Mr. Shan shall be entitled to exercise the voting rights attached to the 22,689,107 Shares held by the 88 employees of the Group at its sole discretion. See "– Our Voting Rights Structure – The Voting Trust Agreements" for further details. One out of the 88 employees, namely Mr. Xiong Chengyu, our vice president for ASIC design, in addition to the 3,200,330 Shares he held directly, held 524,332 Shares, representing 0.09% of the total issued share capital of our Company following the completion of the Global Offering. Mr. Xiong Chengyu is a key personnel responsible for our technical operations and/or the research and development of our Specialist Technology Products who is subject to lock-up requirements pursuant to Rule 18C.14 of the Listing Rules.

Mr. Shan is deemed to be interested in approximately 23.18% of our total issued share capital and is entitled to exercise a total of approximately 56.00% of the voting rights in our Company as of the date of this Prospectus. Mr. Shan, as a controlling shareholder of our Company (as defined under the Listing Rules) as of the date of this Prospectus, is subject to lock-up requirements pursuant to Rule 18C.13 of the Listing Rules until he ceases to become a controlling shareholder of our Company following the cessation of our Company's weighted voting rights structure upon listing.

CORPORATE STRUCTURE

Corporate Structure immediately prior to the completion of the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the Global Offering:

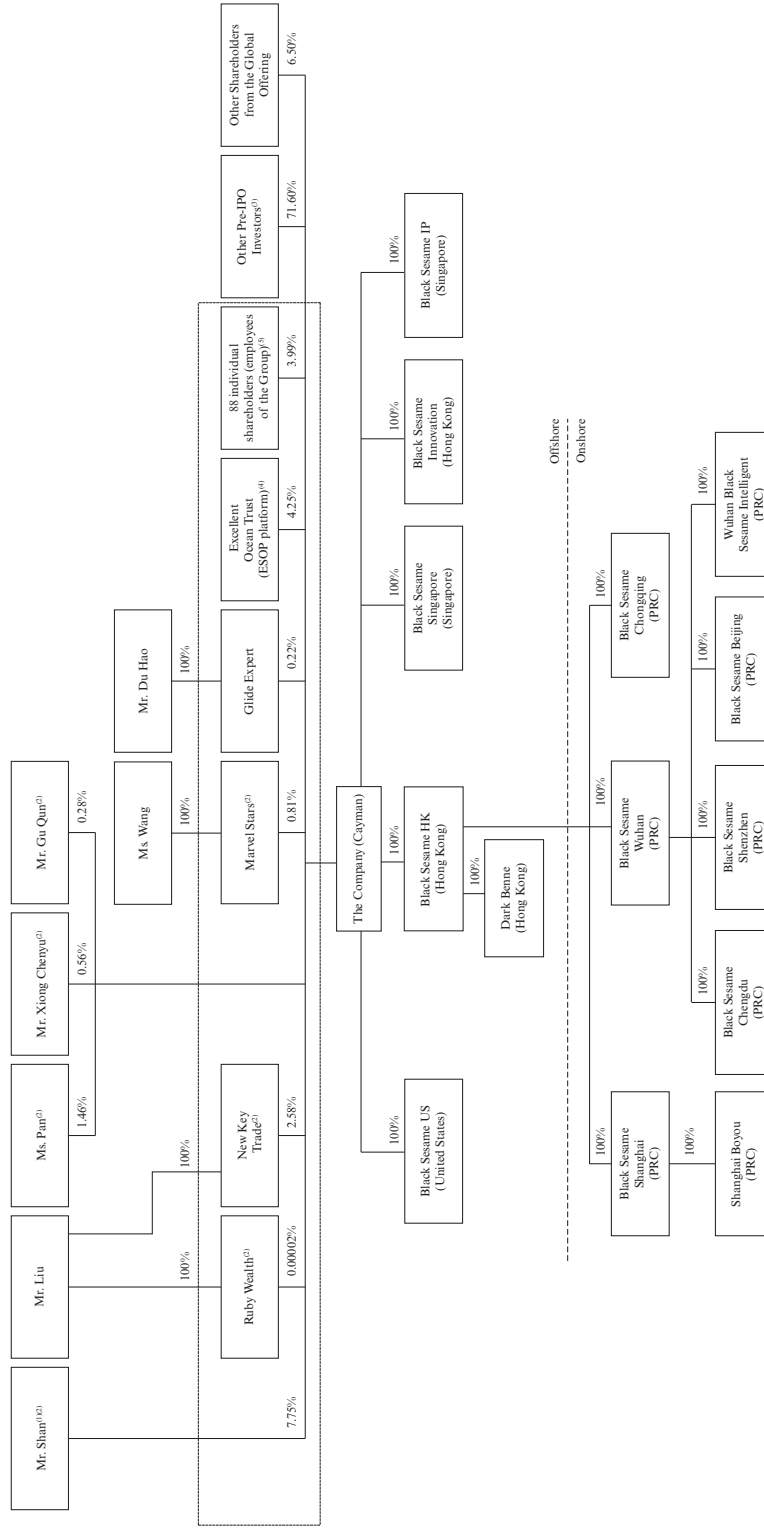


Notes:

- (1) As of the date of this Prospectus, at all general meetings of the Company, Mr. Shan is entitled to a number of votes equal to ten times the total number of the Ordinary Shares and Preferred Shares held by Mr. Shan, and other Shareholders of our Company are entitled to a number of votes equal to the total number of the Ordinary Shares and Preferred Shares held by such Shareholder. For details of our voting rights structure, see “– Our Voting Rights Structure”. The diagram above illustrates the ownership of the Company without taking into account the weighted voting rights structure, which are currently in effect but shall cease upon Listing.
- (2) Pursuant to the Voting Trust Agreements, Mr. Shan shall be entitled to exercise the voting rights attached to all Shares held by Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu and Mr. Gu Qun at Mr. Shan’s sole discretion. For details of our voting rights structure, see “– Our Voting Rights Structure”.
- (3) See “– Pre-IPO Investments” and “– Capitalization of Our Company” above for details of other Pre-IPO Shareholders.
- (4) Excellent Ocean Trust is a trust with an independent professional trustee to manage the options granted to 12 grantees under the Pre-IPO Share Plan, which account for 24,187,308 Shares within the 156,847,868 Shares under the Pre-IPO Share Plan. For details of the Pre-IPO Share Plan, see “History and Corporate Structure – Major Shareholding Changes of our Company – 5. Share incentive scheme”, and “Appendix IV – Statutory and General information – D. Share Incentive Schemes – 1. Pre-IPO Share Plan” in this Prospectus.
- (5) A total of 22,689,107 Shares of the Company were issued to a total of 88 employees of the Group. Such Shares held by the employees were issued pursuant to the Pre-IPO Share Plan of the Company for the benefit of its employees. For details of the Pre-IPO Share Plan, see “History and Corporate Structure – Major Shareholding Changes of our Company – 5. Share incentive scheme”, and “Appendix IV – Statutory and General information – D. Share Incentive Schemes – 1. Pre-IPO Share Plan” in this Prospectus.

Corporate Structure immediately following the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans):



Notes:

- (1) Upon completion of the Global Offering, the current weighted voting rights structure will cease upon listing and each Share shall be entitled to one vote on a poll at all general meetings of the Company
- (2)-(5): See the respective notes under “Corporate Structure immediately before Completion of the Global Offering”.

HISTORY AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, merger and acquisition of domestic enterprises by foreign investors means (1) acquiring the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribing the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishing a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchasing the assets of a domestic enterprise, and then investing such assets to establish a foreign-invested enterprise (collectively the “**Regulated Activities**”). The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, each of the prior CSRC approval for the Global Offering and MOFCOM approval under M&A Rule is not required because our subsidiaries in the PRC were established or acquired by us without involving any Regulated Activities as defined under the M&A Rules.

SAFE Registration in the PRC

Pursuant to the SAFE Circular 37, promulgated by SAFE and became effective on July 4, 2014 a PRC resident must register with the local SAFE branch in connection with their contribution of legitimate offshore or domestic assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Advisor, Mr. Liu who is a PRC resident has completed the registration as required by SAFE Circular 37 and SAFE Circular 13.

WHO WE ARE

We are an automotive-grade computing SoC and SoC-based intelligent vehicle solution provider with a mission to drive the future of mobility with chips. SoC is an integrated circuit that integrates key electronic components including central processing units, memories, I/O interfaces and others. Automotive-grade computing SoCs empower intelligent vehicles with mission-critical capabilities. SoC-based intelligent vehicle solutions integrate SoCs embedded with our in-house developed IP cores of ISP and NPU, algorithms and support software of middleware and toolchain to meet broad customer needs. We have designed two series of automotive-grade SoCs, the Huashan Series high-computing power SoCs and the Wudang Series cross-domain SoCs. We started with and commercialized the Huashan Series high-computing power SoCs focusing on autonomous driving applications and recently introduced the Wudang Series cross-domain SoCs to expand from the core autonomous driving functions to cover more diverse and sophisticated demands for advanced functionalities of intelligent vehicles such as smart cockpit and automotive gateway, all achieved on a single SoC. Operating in the midstream of autonomous driving value chain as a Tier 2 supplier, we provide autonomous driving products and solutions in the form of bundled SoC-based solutions and algorithm-based solutions. In terms of shipment of automotive-grade high-computing power SoCs in 2023, we are the third largest provider globally, according to Frost & Sullivan.

Autonomous driving systems are a complex integral part of vehicles, so, automotive OEMs tend to adopt and stick with a few technology platforms for vehicle models at the same automation level. This improves efficiency and avoids high switching costs, resulting in automotive OEMs and Tier 1 suppliers forming long-term anchored partnerships with selected Tier 2 suppliers of autonomous driving SoC. Currently, most passenger vehicles are at automation levels up to L2+, both in China and globally. This is expected to remain so for the next few years due to technological, regulatory, safety, cost and social challenges, according to Frost & Sullivan. We strategically prioritize L2 to L3 products at this stage, recognizing that product-market fit is crucial for commercial success. Based on our outstanding products and customer recognition:

- We had design wins for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers, as of the Latest Practicable Date.
- We started mass-production of Huashan A1000/A1000L SoCs in 2022. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024.
- We announced our Wudang Series cross-domain SoCs in April 2023, the first in the industry to integrate autonomous driving, smart cockpit, body control and other computational domains, according to Frost & Sullivan.
- Our customer base grew from 45 in 2021 to 85 in 2023. We had 21 customers in the three months ended March 31, 2024. We had partnered with over 49 OEMs and Tier 1 suppliers such as FAW Group, Dongfeng, JAC, HYCAN, ECARX, Baidu, Bosch, ZF Group and Marelli as of the Latest Practicable Date.

BUSINESS

We grew significantly during the Track Record Period. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, our revenue was RMB60.5 million, RMB165.4 million, RMB312.4 million, RMB29.3 million and RMB27.5 million, respectively. With mass production of our SoCs and continued iteration and advancement of our solutions, we expect to capture the vast market opportunities in the foreseeable future. See “– Our Products and Solutions – Commercialization.”

Our Offerings Underpinned by Strong R&D

We focus on developing automotive-grade SoCs:

Huashan Series

- **A1000.** We launched A1000 in June 2020 with mass-production in 2022. A1000 offers 58 TOPS computing power on INT8. It is the first high-computing power autonomous driving SoC with proprietary IP cores developed and launched in China and the first SoC for L2+ and L3 with ASIL-B and AEC-Q100 Grade 2 certification in China, according to Frost & Sullivan.
- **A1000L.** A1000L was also launched in June 2020 and mass-produced in 2022, designed for L2 and L2+ autonomous driving and is ASIL-B and AEC-Q100 Grade 2 certified. A1000L offers 16 TOPS computing power on INT8.
- **A1000 Pro.** We launched A1000 Pro in April 2021 for L3 autonomous driving. A1000 Pro offers 106+ TOPS computing power on INT8. Being the first autonomous driving SoC with over 100 TOPS computing power developed and launched in China, it offers the highest computing power on INT8 among its peers in China, according to Frost & Sullivan.

In addition, targeting L3 and beyond, we are in the process of developing A2000 with a designed computing power of 250+ TOPS, one of the highest in the world among automotive-grade SoCs, according to Frost & Sullivan.

Wudang Series

- **C1200.** We announced C1200 in April 2023, a cross-domain SoC that integrates autonomous driving, smart cockpit, body control and other computational functionalities, providing an innovative and cost-effective computing solution for intelligent vehicles.

In addition to our proprietary SoCs, we also offer autonomous driving support software to enable customization by customers in developing and deploying their applications on the SoCs:

Software

- ***Operating System Support.*** Our self-developed drivers and operating systems for SoCs offer comprehensive compatibility with various applications in intelligent vehicles.
- ***Hanhai ADSP Middleware.*** This platform assists customers in rapidly migrating and deploying applications, and is widely applicable to autonomous driving and V2X application scenarios.
- ***Perception Algorithms.*** Our advanced neural network visual perception algorithms fundamentally enhance image processing capabilities for autonomous driving.

We started offering autonomous driving solutions in 2020 and were one of the earliest in China that generated substantial revenue from the sales of autonomous driving solutions, according to Frost & Sullivan.

- We offer an integrated closed-loop autonomous driving solution pack, BEST Drive, comprising Drive Eye for L1 and L2 support, Drive Sensing for L2+ autonomous driving, Drive Brain for L3 domain control and Drive Turing for next-generation central computing.
- Our self-developed add-on adaptive safety system, Patronus, provides reliable adaptive safety support with innovative system design, offering cost-efficient solutions for commercial vehicle OEMs and Tier 1 suppliers.
- Our V2X edge computing solution, BEST Road, targets the emerging road-side autonomous driving solution market which has been rapidly developing along with the growing prevalence of intelligent NEVs.

As of March 31, 2024, our R&D team consisted of 908 members, 63.7% of which held a master's degree or above. Our R&D team accounted for 86.3% of total employees as of the same date. Our long-term R&D efforts and talent pool underpin the continued advancement of our products and solutions.

Fast Growing Market

Driven by the electrification transition worldwide in the automotive industry and customer preference, the global autonomous driving vehicle industry continues to grow rapidly. According to Frost & Sullivan, the sales volume of autonomous driving vehicles globally is expected to grow from 50.5 million in 2023 to 68.8 million in 2028, with a penetration rate increasing from 69.8% in 2023 to 87.9% in 2028.

BUSINESS

Autonomous driving vehicles rely heavily on the use of computing SoCs, which integrate comprehensive software and hardware stack to accomplish sophisticated tasks required to achieve autonomous driving. Given the rising demands for higher computing power and reliable hardware from automotive OEMs, the leading SoC players with proven products are expected to capture greater market share in the next few years, a critical phase for them to further consolidate and expand their market leadership alongside the market evolution towards higher level of driving automation.

According to Frost & Sullivan, the global automotive-grade SoC market is expected to grow from RMB57.9 billion in 2023 to RMB205.3 billion in 2028, with a CAGR of 28.8% during the period.

According to Frost & Sullivan, with the sales volume expected to reach approximately eleven million in 2024, China leads the NEV market globally. As NEVs typically come with greater intelligent capabilities, especially driving automation, than ICEs, the autonomous driving vehicle market in China is the single largest and fastest-growing in the world, which leads to the advanced application of high-computing power SoCs and rapid development of autonomous driving technologies.

According to Frost & Sullivan, the sales volume of autonomous driving vehicles in China is estimated to account for approximately one-third of the global market from 2023 to 2028 with automotive-grade SoC market in China accounting for 40% globally during the same period. China leads globally in the application of ADAS and autonomous driving technologies, according to Frost & Sullivan. Driven by the increasing sales volume of autonomous driving vehicles, increasing SoC value in single vehicle, and favorable government policies, the shipments of high-computing power automotive-grade SoCs in China have grown significantly and reached 1.5 million in 2023, accounting for around 90% of the global shipment in 2023.

V2X has become a core feature of intelligent mobility. Further expansion of pilot programs of intelligent road projects and potential commercialization are expected to bring additional market opportunities for high-computing power SoCs.

According to Frost & Sullivan, the global market size for SoC-based solutions for intelligent roads is expected to reach approximately RMB14.8 billion in 2026 and further to RMB39.2 billion in 2030.

Market Entry Barriers

Traditional automotive MCUs are unable to meet the high-computing power needs for advanced autonomous driving and cross-domain computational demand of intelligent vehicles. Next-generation automotive-grade SoC is required for autonomous driving and many other smart features on intelligent vehicles.

BUSINESS

The automotive-grade SoC for intelligent vehicles is an emerging and fast-growing market with technology and other high entry barriers. The development of automotive-grade SoC products and solutions requires intensive resources and efforts in developing and applying cutting-edge technologies and talents with industry insights. It typically takes four to five years from commencing development of a SoC through its mass-production. First-mover advantage is critical as automotive OEMs tend to work with a limited number of SoC providers with proven technology and products for efficiency and to avoid high switching costs. Therefore, leading SoC players are expected to capture greater market share to further consolidate and expand their leadership alongside the market evolution towards higher level of driving automation based on customer recognition and product reliability.

The intelligent vehicle market in China is defined by intense competition and constant innovation. Automotive OEMs and Tier 1 suppliers in China require SoC providers to truly understand and timely meet their needs in developing and launching new vehicle models with better autonomous driving and other smart functionalities. Only those who possess not only cutting-edge technology, but also in-depth local insights and adopt a customer-centric approach are expected to be preferred SoC partners and suppliers.

Our Value Proposition

Product-Market Fit

We develop automotive-grade SoCs and solutions, offering fit-to-market products. Recognizing the evolution of the autonomous driving technologies and market, and leveraging our industry expertise, we strategically design our product portfolio to capture mainstream market demands as well as position ourselves for growth potential offered by emerging opportunities.

We started with and currently focus on L2 to L3 products, in line with the automotive industry evolution. Automotive OEMs are keen to build L2 or L2+ driving automation into their mainstream models. With strategic foresight, we are also developing higher-level automation and cross-domain computational products with a view to capturing emerging opportunities. We balance computing power, power consumption, cost and adaptability in developing our SoC products. Our products not only come with advanced technological capabilities, but are also purposefully designed to be highly adaptable for mass-deployment.

We aim to deliver superior functionalities while also helping automotive OEMs reduce costs on the E/E architecture and driving automation. We view our products and solutions in the context of the autonomous driving applications as a whole, and are endeavored to providing system-level optimization for our customers, instead of the cost-efficiency for chips alone.

Relentless Innovation

We aim to provide the best technologies since day one, and have endeavored to do so through our innovation in every critical aspect of automotive-grade SoCs. We have developed and commercialized core algorithms and technologies in-house with an initial focus on autonomous driving. We are also extending these capabilities into products for smart cockpit, advanced imaging and others on intelligent vehicles.

Our proprietary technologies, including ISP and NPU, offer strong perception and computational functionalities. These core technologies have been refined and iterated on an on-going basis for enhanced performance. We have created our own SoC design to ensure adaptability, especially in power consumption, performance and costs. This differentiates us in the market as we have a stronger ability to tailor and improve our autonomous driving functionalities to meet constantly evolving customer needs.

Our technologies, designs and processes are protected through a variety of means. See “– Intellectual Property Rights.” Our intellectual property portfolio consisted of 178 patents and patent applications in China and 118 patents and patent applications overseas as of the Latest Practicable Date.

Customer-centric Approach

Our open and easy-to-deploy technology platform provides substantially enhanced flexibility for local automotive OEMs to develop and iterate their own technologies and applications on our SoCs at their preference.

We provide automotive-grade SoCs and solutions ranging from L2 to L3 and beyond, supporting varied use cases across automation levels. On top of our comprehensive technological capabilities, we could further unbundle software and hardware through separately offering SoCs and supporting algorithms, software and solutions while ensuring the same smooth user experiences even without our own software embedded. We also offer auxiliary services, including joint software R&D and consultation services for automotive OEMs and Tier 1 suppliers and imaging fine-tuning services, for a complete offering.

Safety and Reliability

We place great emphasis on the safety of autonomous driving vehicles using our SoCs and solutions. Our autonomous driving SoCs are designed and produced to comply with automotive-grade standards. Our products, as well as R&D process, passed various industry-recognized certifications and tests for safety and reliability, including:

- our R&D processes are ISO 9001 certified in general, and the process for SoC and software are ISO 26262 ASIL-D and ASPICE certified, respectively;

BUSINESS

- the A1000 Series SoCs are ISO 26262 ASIL-B compliant, qualified as AEC-Q100 Grade 2 and in compliance with environmental instructions such as RoHS, HF and REACH and applicable laws and regulations; and
- the C1200 SoCs are in compliance with a series of high-level security standards, with its safety island design in compliance with ISO 26262 ASIL-D and its security module is designed to meet EVITA full qualifications.

During the Track Record Period and up to the Latest Practicable Date, there had been no material adverse event occurred in relation to safety or reliability of our products or services.

Our Go-to-Market Strategy

We have established long-term strategic partnerships.

As of the Latest Practicable Date, we had collaborated with over 49 automotive OEMs and Tier 1 suppliers, including global and China leading ones, such as FAW Group, Dongfeng Motor, JAC, Bosch, Marelli and Hirain.

Our relationship with partners has given us a significant edge in the commercialization of our autonomous driving products. For example, we have collaborated with Soterea in autonomous driving solutions since 2020, which enabled us to develop the add-on adaptive safety system, Patronus, and achieve mass deployment across vehicle types. In May 2022, we entered into a strategic partnership with JAC, which would deploy our A1000 SoC along with our algorithms, Shanhai Development Toolchain and Hanhai ADSP middleware platform on its Sihao series models. In December 2022, we announced joint collaboration with Dongfeng Motor to deploy our Huashan A1000 SoCs on its first all-electric sedan and SUV models. In March 2023, we announced cooperation with JICA, an affiliate of ECARX, to install our A1000 SoC on Geely's vehicles. In April 2023, we were designated as Baidu's preferred domestic intelligent vehicle SoC partner and will jointly develop autonomous driving products integrating hardware and software based on Huashan A1000 Series SoCs.

We provide iterative products and services in a more flexible and timely way.

We can provide both SoCs and solutions on an as-needed basis. We have SoCs and SoC-based solutions tailored for different levels of autonomous driving capabilities. We provide SoC samples, FAD platform and testing services before mass production. We have a dedicated team committed to timely and quality delivery of our products and solutions to ensure smooth deployment. Our sales and marketing team, consisting of members with profound insights in both the automotive and semiconductor industries, provides locally-accessible professional support to customers. We also offer an open software stack so that it can be adjusted and tailored in an agile manner to meet customers' individualized needs.

BUSINESS

Our devotion to innovation helps us constantly iterate our products and services and strengthen our position as a long-term partner to customers. With our various series of SoCs, we intend to capture cross-sale opportunities and forge deeper relationship with customers and partners.

OUR STRENGTHS

Commitment to Intelligent Vehicle SoCs with Expertise

We are a renowned pioneer in intelligent vehicle SoCs and stand at the forefront of the industry, having consistently achieved “first-in-class” milestones in technologies and products. According to Frost & Sullivan:

- We were the first to initiate the mass-production of autonomous driving SoCs with high computing power (50+ TOPS). We also spearheaded the launch of autonomous driving SoCs with 100+ TOPS in China.
- We are one of the few providers of autonomous driving SoCs that own self-developed, automotive-grade IP cores.
- We were among the first companies in China to engineer a single chip solution that fully supports both driving and parking functionalities.
- We were the first to announce an automotive-grade cross-domain computational SoC in China.
- We are one of the first companies in China to obtain a full suite of automotive-grade certificates, including the ISO 26262 Functional Safety Expert Certificate, ISO 26262 ASIL-D Functional Safety Development Process Certificate, ISO 26262 ASIL-B Functional Safety Product Certificate, and the ASPICE CL2 Certificate.

Leading in the commercialization of autonomous driving SoC-based products, we continue to expand and innovate. In 2020, we were among the industry pioneers for similar products in China by introducing the intelligent driving solution, BEST Drive, and the add-on adaptive safety system, Patronus. The Huashan A1000 Series SoC, which has received widespread customer recognition for its outstanding performance, obtained certifications for entry into the world-class automotive OEMs’ factory-installation supply chains. We started mass-production of Huashan A1000 Series and delivered over 25,000 units in 2022, placing us among the top three automotive-grade high-computing power SoC providers globally, according to Frost & Sullivan. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024.

Proprietary Critical Technology from Purpose-Driven R&D

We have adopted a purpose-driven approach in developing and applying our proprietary technologies, with a view to building critical SoC-related capabilities for enabling autonomous driving on intelligent vehicles and beyond. Selected illustrations of our proprietary technologies are as follows:

- **Enhanced Vision with Automotive-Grade Image Signal Processor (ISP):** Our NeuralIQ ISP is a high-performance imaging solution. It sustains high-quality and multi-mode processing capabilities at high speed, and features cost-effective one-processor-for-multi-cameras solution, multi-mode processing for various types of vehicle sensors at high speed, and high-quality image processing.
- **Intelligence via Automotive Grade NPU with Deep Neural Network Accelerator:** Our DynamAI NN engine increases computing efficiency with low power consumption and specialized ASIC structure. It features simultaneous soft- and hardware optimization, multi-array and multi-precision support, and powerful perception capabilities such as recognizing obstacles, traffic signs, and pedestrians under varying environmental conditions.

Our outstanding and systematic R&D capabilities are also evidenced by:

- **Global Talent Pool:** We have five R&D centers in China and two centers in Silicon Valley, U.S. and Singapore. Our diverse geographical footprint and industry leadership allow us to attract talents focusing on cutting-edge technologies globally and amalgamate state-of-the-art technologies.
- **Proven and Agile R&D Framework:** By proactively tracking market and technology trends, we formulate long-term R&D blueprints to maintain a significant competitive edge. Moreover, we collaborate closely with automotive OEMs at the early stages of projects to better assess, adapt to, and fulfil clients' evolving needs. Our R&D procedures are ISO 9001 certified, and our SoC and software R&D procedures are ISO 26262 ASIL-D and ASPICE certified, respectively.
- **Extensive Intellectual Property Portfolio:** As of the Latest Practicable Date, we held 133 registered patents and had 163 patent applications, two integrated circuit layout design registrations, 104 software copyrights, and 176 registered trademarks globally.

Customer-centric Product Portfolio

Our comprehensive autonomous driving capabilities are built on our proprietary chips and algorithms. Our in-house developed technologies provide a robust perception and fusion capability for autonomous driving, a critical component in enabling intelligent vehicles to perceive and understand their surroundings and make appropriate decisions. We are also developing capabilities and products for cross-domain computational functionalities of intelligent vehicles. Our fully in-house developed technology portfolio allows us to optimize performance through software iterations, significantly aiding our customers in bringing the “software-defined vehicle” concept to life.

Our extensive portfolio of SoC products enables us to deliver solutions tailored to customer needs and achieve rapid commercialization. We provide high computing power SoC-based solutions for autonomous driving with the Huashan A1000 Series SoCs. In addition to our flagship A1000 SoC, the A1000L SoC covers more application scenarios with outstanding cost-effectiveness. The Wudang C1200 SoC fulfils the cross-domain computational needs of intelligent vehicles with a single-chip solution. Our mass-produced SoC product line supports L2 to L3 autonomous driving, allowing deployment across vehicle models to meet the vast mainstream demands. This flexibility helps our customers reduce costs at system-level. The successful commercialization across all our products has driven the rapid growth of our revenue.

Moreover, leveraging our proprietary SoC technology, we developed the FAD platform for other participants along the industry value chain. Our collaboration with these partners enhances supply chain efficiency and productivity from a ubiquitous perspective, encompassing sensors, chips, operating systems, application software and the cloud.

We have also developed and commercialized our SoC-based solutions, including our ADAS and autonomous driving solution Best Drive and other solutions designed for a broader range of automotive applications. Our self-developed add-on adaptive safety system, Patronus, provides reliable adaptive safety support with innovative system design, offering cost-efficient solutions for commercial vehicle OEMs and Tier 1 suppliers. We have deployed our products and solutions on both vehicle-side and road-side. Our V2X edge computing solution, BEST Road, targets the emerging road-side autonomous driving solution market which has been rapidly developing along with the growing prevalence of intelligent NEVs. Through this dual-platform deployment, we have (i) achieved comprehensive application scenario coverage and fully utilize the potential of computing power upgrades; (ii) assisted customers in information exchange and coordination; and (iii) strengthened our cross-selling capabilities.

A User-friendly Open Platform for Customization and Re-development

One particular attractiveness of our offerings to customers is the substantial possibilities, flexibilities and convenience provided by our open platform in customization and re-development from the customer end. We built this open platform to help automotive OEMs design and offer differentiated products for their own customers.

BUSINESS

Automotive OEMs and Tier 1 suppliers benefit from the substantially enhanced flexibility we offer through unbundling of software and hardware, as well as a wide range of software, in designing and creating their own differentiated products. Our chips are compatible with the algorithms developed by the customers themselves or third-parties, and our hardware and software modules can be customized and re-packaged to particular customer needs.

We provide customers with end-to-end support for smooth integration and optimal functionalities of our products on their systems. Our self-developed drivers and operating systems offer broad compatibility with third-party applications. The Hanhai ADSP Middleware platform assists customers in rapidly migrating and deploying applications, and it is widely applicable to autonomous driving and V2X application scenarios. Our advanced neural network visual perception algorithm fundamentally enhances image processing capabilities for autonomous driving. This comprehensive software matrix improves customers' product development efficiency, lowers development barriers and accelerates customers' own product-to-market cycle.

Our development toolchain further shortens the algorithm and model development cycle for customers. In April 2021, we launched the Shanghai Development Toolchain, providing a comprehensive development package and algorithm support, and incorporating deep learning reference model library conversion use cases. This toolchain supports customers in agile model migration, deployment, and integration.

Broad Partners and Customer Base across the Industry Value Chain

Our technology leadership and first-mover advantage have allowed us to build and continue to enrich an ecosystem comprising over 80 partners, including Tier 1 suppliers, automotive OEMs, sensor manufacturers, chip developers and software companies.

As of the Latest Practicable Date, we had collaborated with a large number of major automotive OEMs such as FAW Group, SAIC, Dongfeng, JAC and leading Tier 1 suppliers like Bosch, ECARX, and Hirain. We had design wins from 16 automotive OEMs and Tier 1 suppliers as of the Latest Practicable Date.

- We partner with FAW Group, one of the largest automotive OEMs in China and the world, to jointly develop the Hongqi autonomous driving platform with an integrated chip-computing system, with factory-installation of A1000 SoCs on various mass-produced vehicle models.
- Our collaboration with Soterea propels the iteration of autonomous driving solutions and penetration of self-developed SoCs. Through this partnership, we lead in implementing mass-scale self-developed algorithms and solutions to achieve smooth commercialization.
- Jointly with Bosch, we are strategically deploying our SoC as well as cutting-edge solutions in V2X scenarios on both vehicle-side and emerging roadside.

A Team of Veterans Combining Cross-sector and Market Expertise

Each of our core management team has over 20 years of experience from either the automotive or semiconductor industries, or both, the two sectors critical to the development and commercialization of our technologies and products. This combination of complementary cross-sector expertise and insights has been highly valuable to our market positioning, product strategies, fund-raising, customer acquisition and collaborations.

Our founder, Mr. Shan, holds both a bachelor's and master's degree in microelectronics from Tsinghua University. Mr. Shan has over 20 years of semiconductor experience in the semiconductor industry, including serving as a vice president of the software engineering department at OmniVision, a leading semiconductor solution provider. With extensive experience in automotive software and chip R&D, he led the development of the world's leading automotive HDR. Mr. Shan has more than 100 registered intellectual property rights globally.

Our co-founder, Mr. Liu, holds a master's degree from Tsinghua University and an MBA from the University of Toronto. Mr. Liu has more than 20 years of experience in automotive R&D and manufacturing. Prior to founding Black Sesame, he served as the President of Bosch's chassis brakes division in Asia Pacific, responsible for strategy, operations, business development, reorganization and M&A.

Each of our core R&D team members has more than 15 years of industry experience in engineering, with global working experience in reputable technology companies such as Bosch, OmniVision, Qualcomm and ZTE. We also have an experienced sales team capable of developing and nurturing long-standing relationship with customers in the automotive and related industries.

OUR STRATEGIES

Continue to Develop Intelligent Vehicle SoCs for Broader In-vehicle Computational Scenarios

We aim to attract more talents focusing on cutting-edge technologies worldwide, leveraging our domestic and overseas R&D centers to promote global technology advancement. We plan to continue to develop automotive-grade SoCs and IP cores that lead the industry with superior capabilities. Our next-generation SoC, Huashan A2000, is currently under development, with expected launch in 2024. We are also expanding capabilities in automotive-grade chips, including further development and commercialization of the Wudang Series cross-domain SoCs.

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The following table sets forth the expected timeframe of our major R&D projects for intelligent vehicle SoCs:

SoC	Expected timeframe		
	Chip design	Design win	Mass production
C1200	2022	2024	2025
A2000	2022	2025	2026
Next generation SoCs	2025	2027	2028

Further Enhance Our Open Ecosystem

We intend to continue the iteration and upgrade of our software platforms and toolchains with a view to enriching an ecosystem attracting and connecting more industry participants. We expect to collaborate with leading Tier 1 suppliers, automotive OEMs and other ecosystem partners to build a comprehensive intelligent vehicle supply chain, jointly promoting penetration of intelligent vehicles in China.

Further Develop and Commercialize Our Solutions and Technologies

We are committed to expanding the sales of our autonomous driving SoCs and solutions and broadening our customer base. We aim to continue providing customized autonomous driving products that cater to varied customer needs across application scenarios.

We also plan to provide a full suite of software comprising drivers, operating systems, middleware and algorithms to facilitate the implementation of autonomous driving solutions.

The following table sets forth the expected timeframe of our major R&D projects for automotive driving solutions:

Solution	Expected timeframe		
	Algorithm development	Solution adaptation	Mass production
Next-generation V2X edge computing solution	2024 Q1	2024 Q2	2024 Q3
Next-generation add-on adaptive safety system Patronus	2024 Q1	2024 Q2	2024 Q3

We anticipate extending our reach further beyond autonomous driving by providing a variety of hardware and software products, such as algorithms, chips and systems, to address diverse application scenarios in intelligent vehicles and beyond, including robotics and others.

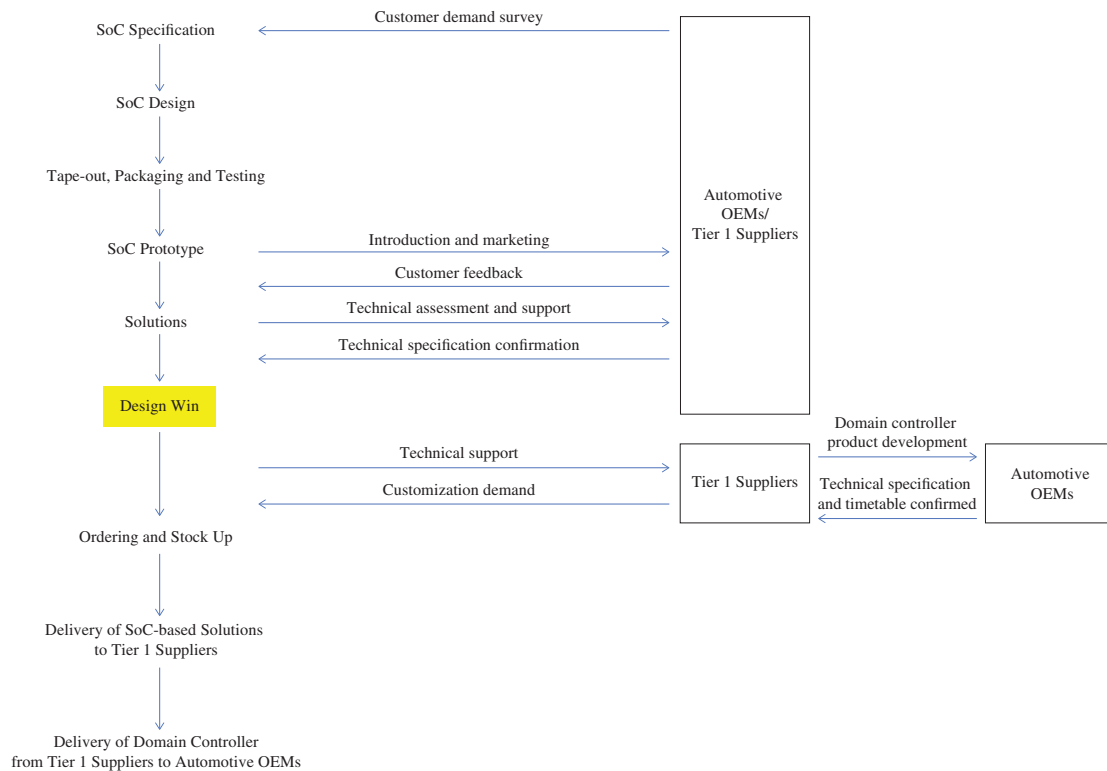
Extend Our Reach Globally

Our goal is to collaborate with international customers, including international automotive OEMs and Tier 1 suppliers. We believe such partnerships and cooperations will provide access to global markets and R&D resources. We expect to expand our intelligent vehicle business into markets such as Europe, Japan and the U.S.

OUR PRODUCTS AND SOLUTIONS

We primarily engage in the design, development and deployment of intelligent vehicle SoC products, as well as the provision of autonomous driving solutions across automation levels. Capitalizing on our expertise in intelligent vehicle SoCs, especially autonomous driving SoCs and related IP cores, we have developed and commercialized our products and solutions effectively. We have a comprehensive suite of offerings, including SoCs, autonomous driving solutions and intelligent imaging solutions. Our open platform allows for unbundling of software and hardware, providing automotive OEMs great flexibility in packaging from our diverse range of offerings for swift local adaptation, deployment and customization.

The following chart illustrates the business model of our autonomous driving products and solutions:



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Before the bidding process for design win, we typically promote our products to automotive OEMs and Tier 1 suppliers through marketing and product functionality introduction. We also adapt our software and hardware to be compatible with other products available in the market through collaboration with Tier 1 suppliers and other partners, establishing an ecosystem incorporating both software and hardware that could be put into operation based on the SoC.

During the bidding process, automotive OEMs will deliver their demand on system architecture, and we will collaborate with Tier 1 suppliers and other ecosystem partners to support the SoC functionality deployment and validation. Tier 1 suppliers will be responsible for the software and hardware development on top of domain controller embedded with our SoC-based solutions to meet automotive OEMs' demand for autonomous driving functions. We would be notified if we are chosen for the project by the end of the bidding process.

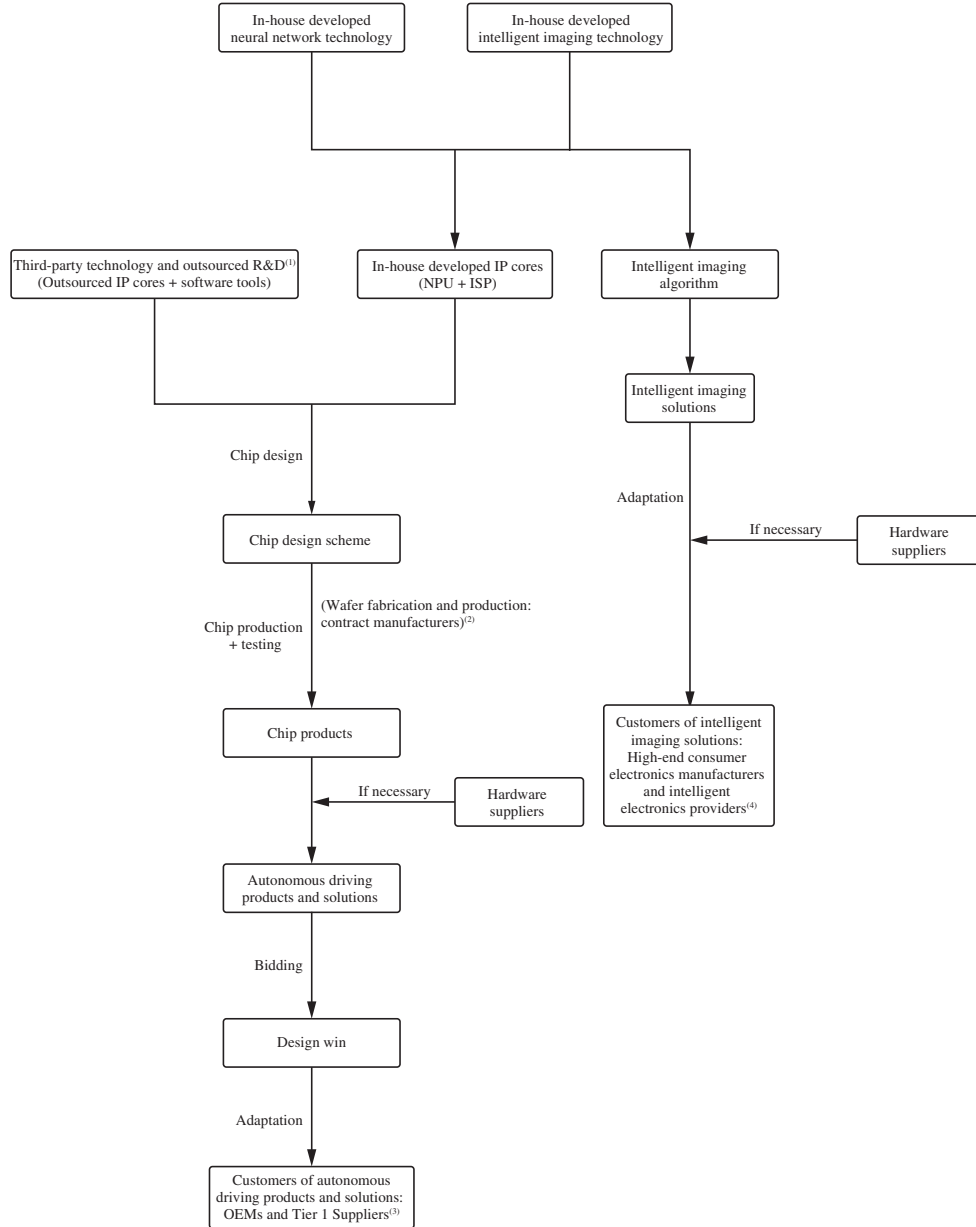
After the bidding process, automotive OEMs will start communicating with Tier 1 suppliers on their plans for mass production. After selection of Tier 1 suppliers, the project will be launched in preparation for further development towards mass production. Automotive OEMs will then notify Tier 1 suppliers to issue design win to us.

After the design win, Tier 1 suppliers will notify us the forecast for routine ordering based on automotive OEMs' demand. We will procure raw materials, book contract manufacturers' capacity and deliver the products from contract manufacturers for packaging and testing. After completion of packaging and testing, we will conduct performance inspection and provide SoC development support to Tier 1 suppliers to assist them deploy the relevant autonomous driving functions. We will also procure hardware per customer demand and accomplish the adaptation before final delivery of our solutions to the Tier 1 suppliers, who will then compile the domain controller and deliver to the automotive OEMs.

For algorithm-based solutions, the bidding process is substantially the same as SoC-based solutions except for no SoC procurement. After the design win, we are responsible for the development of algorithms, procurement of third-party hardware and algorithm adaptation. After we pass the performance inspection as required by the customers, we will deliver the solutions to the customers.

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The following chart illustrates our R&D process:



Notes:

- (1) For our general arrangements with third-party technology providers and outsourced R&D service providers, see “– Research and Development – Key Research Projects – Third-party Technologies” and “– Research and Development – Key Research Projects – Outsourced R&D Arrangements” for further details.
- (2) For our general arrangements with contract manufacturers, see “– Suppliers – Contract Manufacturers” for further details.
- (3) For our general arrangements with customers of autonomous driving products and solutions, see salient terms of our agreements with automotive OEMs or Tier 1 suppliers in “– Customers” for further details.
- (4) For our general arrangements with customers of intelligent imaging solutions, see “– Our Products and Solutions – Intelligent Imaging Solutions” for further details.

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Our comprehensive product portfolio is built on our in-house developed technologies, mainly neural network technology supporting our proprietary NPU responsible for accelerated inference of AI algorithms for computer vision and improvement of computational efficiency, and intelligent imaging technology supporting our proprietary ISP responsible for reception of camera inputs and optimization of video quality. Leveraging such technologies, we are able to build critical SoC-related capabilities for enabling autonomous driving on intelligent vehicles and provide quality autonomous driving products and solutions to OEMs and Tier 1 Suppliers. In addition, drawing from our intelligent imaging technology capabilities accumulated in providing autonomous driving solutions, we offer high-end consumer electronics manufacturers and intelligent electronic providers with quality intelligent imaging solutions that empower a broad range of their devices to facilitate intelligent perception and content enhancement through algorithms.

Our material intellectual property rights cover technical areas such as autonomous driving algorithms, image compression and vehicle safety. We believe that and our PRC Legal Advisor confirms that we had sufficient intellectual property protection in place to cover the material aspects of each of our major Specialist Technology products or solutions as of the Latest Practicable Date. The table below sets forth the key intellectual property rights corresponding to the core technologies applied in our Specialist Technology Products:

Specialist Technology Products	Core Technology	Patent/Patent Application	Specialist Technology Product Category	Application Scenario	Type of Target Customers	Key Functions	Status
Autonomous driving solutions	6V traveling sensing algorithm	US 11490064 B2		Autonomous driving	Tier 1 suppliers	Identification of key traffic-related targets including lane markings, traffic signs, traffic lights, automobiles and pedestrians	Incorporated into autonomous driving solutions
		2020-1027-8360.3					
		2022-1068-1653.5					
Around view parking sensing algorithm		2021-1017-9411.1	SoCs and Autonomous Driving Solutions	Autonomous driving and parking		Detection of obstacles around the parking lot and automobile	
		US 11281915 B2					
		17543978					
	Compression of perceptual models	US 10867192 B1					
		2020-1027-4418.7					
		US 11507823 B2					
		2021-1060-1650.1				Compression of large perceptual models with no loss	
A2000	ISP algorithms optimized for in-vehicle applications	2021-1089-3086.5	SoCs and algorithms	Embedded in the relevant products		Optimized ISP algorithms integrated on small-sized SoCs supporting parallel access to multiple HDR sensors	To be mass produced with A2000
		2021-1109-5200.6					
		2022-1021-6127.1					
		2022-1064-7760.6					
	Near lossless compression algorithm for image data	2022-1128-9652.2				Near lossless compression of image data to save storage	
		2022-1073-5115.X					

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Specialist Technology Products	Core Technology	Patent/Patent Application	Specialist Technology Product Category	Application Scenario	Type of Target Customers	Key Functions	Status
A1000	Computer vision	2022-1086-3882.9 2018-1084-6324.5 2019-1036-7735.0 2019-1030-3852.0 2021-1057-2369.X US 11425304 B1				Computer vision optimization algorithms based on dual or multiple cameras	Incorporated into A1000
	Inline and offline mode support	US 11516439 B1 US 11425304 B1 US 11281915 B2				Cost-efficient solutions for both inline and offline operations of ISP	
	Cache based offline processing modules	2022-1086-3872.5				Optimized offline image processing based on low bandwidth	

We confirm that all of the above listed intellectual property rights are significant for carrying out the key functions of our Specialist Technology Products, and, as of the Latest Practicable Date, no other material intellectual property rights are directly applied in our Specialist Technology Products. We also procure IP cores including CPU/GPU IP cores and interface IPs, and EDA tools including network interface units (NIU) and version control systems (VCS) from reputable third-party technology providers to facilitate our development of SoCs.

The table below sets out a summary for how each of our autonomous driving products and solutions and intelligent imaging solutions falls within acceptable sectors of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules:

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors:	Main Function Analysis	Major Customer Type ¹ and Customer Demand Driver	Pricing and Payment
Autonomous Driving Products and Solutions	<p>(i) Semiconductors (Design: logic and physical design, and validation and verification); and</p> <p>(ii) Electric and autonomous vehicles (Development of enabling technologies for autonomous vehicles).</p>	<p>Why semiconductors (design): We develop advanced SoCs that are integrated with autonomous driving system and algorithms and applied to intelligent vehicles. SoCs are integrated circuit that integrates most of all components of a computer or other electronic system. We are engaged in semiconductor design, covering the entire logic and physical design, and validation and verification process. The semiconductors designed by us are computing SoCs for electric and autonomous vehicles, achieving similar functions as CPUs for personal computers.</p> <p>Why electric and autonomous vehicles (development of enabling technologies): Substantively, SoCs serve as the central computing units for carrying out and realization of autonomous driving functions. On top of the high computing power provided by the SoCs, our SoCs are also imbedded with our proprietary ISP and NPU modules, with ISP responsible for reception of camera inputs and optimization of video quality, and NPU responsible for accelerated inference of AI algorithms for computer vision (such as machine learning, deep learning, facial identification, dynamic range control and denoising), improving computational efficiency. In addition to our SoC offerings, we have developed a suite of hardware platforms and autonomous driving solutions to fully leverage the potential of automotive-grade SoCs. These solutions support autonomous driving functions across intelligent driving systems, safety systems and V2X solutions, and are designed for rapid deployment. Our solutions could be SoC-based or algorithm-based, with SoC-based solutions bundled with our proprietary SoCs (together with third-party MCUs), and algorithm-based solutions carrying only third-party MCUs (with our algorithm embedded). Both SoC-based solutions and algorithm-based solutions support key autonomous driving functions of electric and autonomous vehicles. While our SoC hardware provides the high computing power necessary for autonomous driving functions, our algorithms provide software support to actually conduct the decision-making process through digestion of data inputs and generation of computational results. Therefore, on top of our algorithm-based solutions facilitating basic autonomous driving applications such as FCW (forward collision warning), LDW (lane departure warning), HMW (headway monitoring warning) and CMS (collision mitigation braking system), SoC-based solutions incorporate our SoCs and include both software and hardware components, providing more powerful computing and enabling more comprehensive functions. Our in-house developed technologies provide a robust perception and fusion capability for autonomous driving, a critical component in enabling intelligent vehicles to perceive and understand their surroundings and make appropriate decisions.</p>	<p>Major customer type: For autonomous driving products and solutions, our customers are primarily passenger and commercial vehicle OEMs and their Tier 1 suppliers.</p> <p>Main drivers for customer demand: The demand for intelligent vehicle SoCs which is necessary to process a significant volume of low-latency data and high-resolution images and videos generated by the sensors in intelligent vehicles. In addition, automotive OEMs and Tier 1 suppliers are looking for products and solutions that could meet their various demands in one cross-domain SoC or solution, facilitating their smooth transition to intelligent vehicles. SoCs integrate comprehensive software and hardware stack to carry out complex tasks required to achieve autonomous driving and play a critical role in intelligent vehicles, akin to the “new engines” of vehicles. We do not provide SoCs as standalone hardware, but integrate them with other hardware, software, comprehensive technical support and services, such as MCUs, basic software, middleware, algorithms and toolkits to offer our customers bundled solutions. The specific solutions provided to certain customers eventually depend on such customers’ own demand. In some cases, customers request comprehensive solutions so that they can enjoy easy-to-use plug-and-play services; while in some other cases, customers are more interested in the automotive functions supported by the computing power provided by the SoCs and would like to develop capabilities on top of that by their own.</p>	<p>When determining price for our autonomous driving products and solutions, we adopt tiered pricing based on procurement amount and relationship with specific customers, taking into consideration base factors such as the cost incurred and the pricing of major competitors. Pricing for SoC-based solutions mainly depends on the comprehensiveness of solutions provided, affected by factors such as the maximum number of sensors supported by SoCs and the complexity of algorithms provided, while pricing for algorithm-based solutions mainly depends on the complexity of functionality, R&D cycle and personnel involved, resulting in varied prices for different customers. Therefore, we price our solutions on a whole package basis and not only based on costs incurred for the SoC hardware.</p> <p>For supply of SoCs, and autonomous driving solutions, customers are generally required to pay the purchase price upon acceptance of our products or services.</p> <p>For collaboration arrangements with automotive OEMs or Tier 1 suppliers to design or tailor intelligent vehicle SoCs or autonomous driving solutions for factory-installation on required vehicle models, customers are typically required to make installment payments according to prescribed development or production milestones.</p> <p>See “– Customers” for more details.</p>

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors:	Main Function Analysis	Major Customer Type ¹ and Customer Demand Driver	Pricing and Payment
Intelligent Imaging Solutions	<p>(i) Artificial intelligence (AI)-empowered algorithm, programming, image recognition and machine learning); and</p> <p>(ii) Artificial intelligence (AI) solutions: the design, and provision of AI, solutions used in different industry verticals).</p>	<p>Why artificial intelligence (AI)-empowered algorithm programming and AI solutions): Autonomous driving solutions encompass a broad range of perception and analysis functions based on image and video information. Empowered by proprietary AI algorithms developed for our autonomous driving solutions and tested in complex driving scenarios, we provide customers with advanced AI imaging algorithms and solutions. Our intelligent imaging solutions offer full-spectrum, mainstream image-enhancement optimization, which involves the analyzing, understanding, and improving of images, accomplished by AI methods such as machine learning and deep learning. According to Frost & Sullivan, our solutions leverage machine learning models and learn patterns from training data and enhance the image quality, enrich information, and strengthen image interpretation and recognition, achieving a series of functions including single-camera bokeh effect, light portrait beautification, facial identification, high dynamic range imaging and 3D depth effects. Moreover, our solutions, benefiting from our automotive-grade imaging capabilities, support parallel access to multicamera imaging systems. They can simultaneously process vast quantities of video and image content, which is particularly useful in complex environments with multiple moving subjects.</p>	<p>Major customer type: For intelligent imaging solutions, our customers are primarily high-end consumer electronics manufacturers and intelligent electronics providers.</p> <p>Main driver for customer demand: Customers have the need to ramp up their products' imaging processing capabilities and deliver stronger performance. Our intelligent imaging solutions empower a broad range of devices of customers to facilitate intelligent perception and content enhancement through algorithms.</p>	<p>We mainly (i) license self-developed software and algorithms to customers from whom we charge licensing fees; and (ii) sell products with our proprietary algorithms embedded, and customers are generally required to pay the purchase price upon delivery.</p> <p>See "Our products and Solutions – Intelligent Imaging Solutions" for more details.</p>

Note 1: The type of customers of autonomous driving products and solutions barely overlap with customers of intelligent imaging solutions. There was only one overlapping customer of autonomous driving products and solutions business and intelligent imaging solutions business in 2021. See "– Our Products and Solutions – Key Operating Data."

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Our industry consultant, Frost & Sullivan, confirms and our Directors are of the view that based on the information above, each of our autonomous driving products and solutions and intelligent imaging solutions fall within an acceptable sector of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules.

Based on the following analysis and the view of the Directors and Frost & Sullivan, the Joint Sponsors are of the view that each of our autonomous driving products and solutions and intelligent imaging solutions fall within an acceptable sector of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules:

- (1) We engage in semiconductor design, covering the entire logic and physical design, and validation and verification process. The semiconductors designed by us are computing SoCs for electric and autonomous vehicles. The advanced SoCs developed by us are imbedded with our in-house developed IP cores, namely ISP and NPU modules, with ISP responsible for reception of camera inputs and optimization of video quality, and NPU responsible for accelerated inference of AI algorithms for computer vision (such as machine learning, deep learning, facial identification, dynamic range control and de-noising), improving computational efficiency. The computing SoCs designed by us imbedded with its in-house developed technologies enable intelligent vehicles to perceive and understand their surroundings and make appropriate decisions so as to realize autonomous driving functions.

- (2) The Intelligent Imaging solutions offered by us are empowered by its proprietary AI imaging algorithms. The algorithms are developed through extensive machine learning and deep learning to improve its capability of image-enhancement optimization. Based on the review of the application scenarios of intelligent imaging solutions and interviews with our customers, our intelligent imaging solutions enable its customers to enhance the image quality, enrich information, and strengthen image interpretation and recognition, achieving a series of functions including single-camera bokeh effect, light portrait beautification, facial identification, high dynamic range imaging and 3D depth effects. According to Frost & Sullivan, our AI algorithms support the analysis, understanding and improvement of visual signals through AI models that learn patterns from training data and then apply such learned patterns, thereby achieving the goals of image enhancement. Compared with traditional image processing technologies, our AI algorithms achieve better performance in enhancing the image and video quality under various conditions. Moreover, our AI imaging solutions support parallel access to multicamera imaging systems. In other words, they can simultaneously process vast quantities of video and image content, which can be used in complex environments with multiple moving subjects. Based on above, we develop AI-empowered algorithm programming relating to image recognition and provides AI imaging solutions that can be used in different verticals.

Intelligent Vehicle SoCs

The demand for intelligent vehicle SoCs stems from their high computing power, which is necessary to process a significant volume of low-latency data and high-resolution images and videos generated by the sensors in intelligent vehicles. Automotive OEMs and Tier 1 suppliers are also looking for products that could meet their various demands in one cross-domain SoC, facilitating their smooth transition to intelligent vehicles. Traditional automobiles primarily rely on micro control units (MCUs) for simple tasks. In contrast, both ADAS and higher-level autonomous driving and other intelligent vehicle applications rely heavily on SoCs. SoCs integrate comprehensive software and hardware stack to carry out complex tasks required to achieve autonomous driving and play a critical role in intelligent vehicles, akin to the “new engines” of vehicles.

We have pioneered and led the development and advancement of intelligent vehicle SoCs. We were one of the earliest in mass-producing high computing power autonomous driving SoCs and the first to launch autonomous driving SoCs with 100+ TOPS in China, according to Frost & Sullivan. Furthermore, we announced the first automotive-grade cross-domain computational SoC in China by unveiling the Wudang Series in April 2023, according to Frost & Sullivan.

Our SoC portfolio comprises two major series: the Huashan Series, focusing on autonomous driving, and the Wudang Series, targeting cross-domain computation:

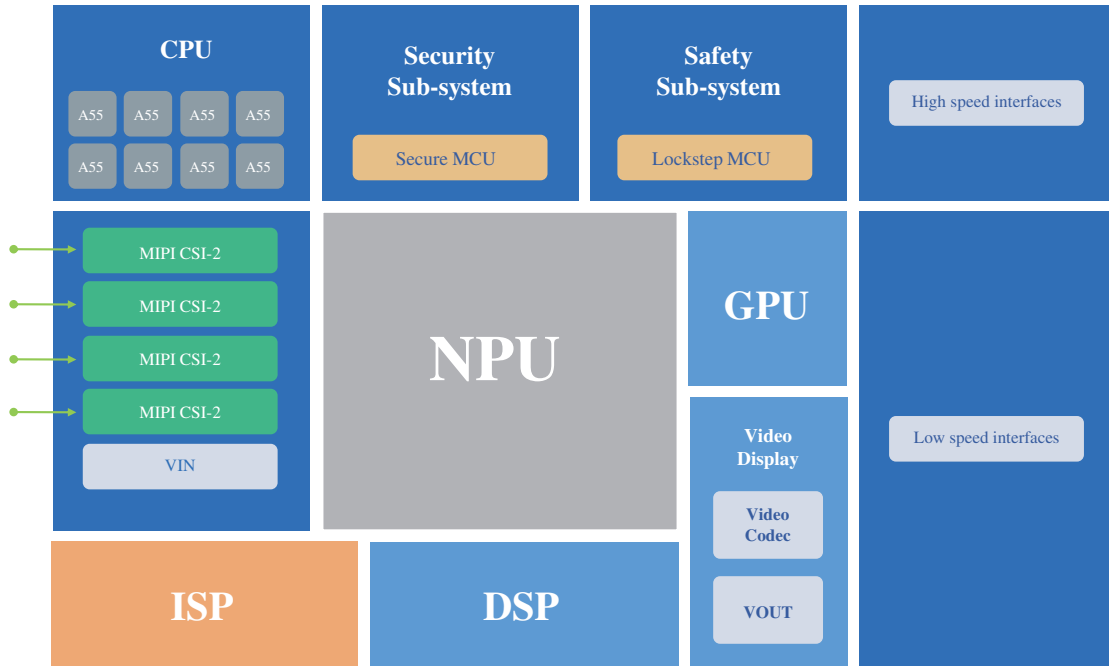
- **Huashan Series:** The Huashan A1000 Series SoC, designed for autonomous driving, supports BEV fusion algorithms for L3 and below application scenarios. We will persist in enhancing the computing capacity and utilization for our Huashan Series SoCs.
- **Wudang Series:** The Wudang Series SoC caters to the cross-domain computational needs of intelligent vehicles by integrating computation for autonomous driving, smart cockpit, body control and other computational functionalities into a single SoC.

Huashan Series

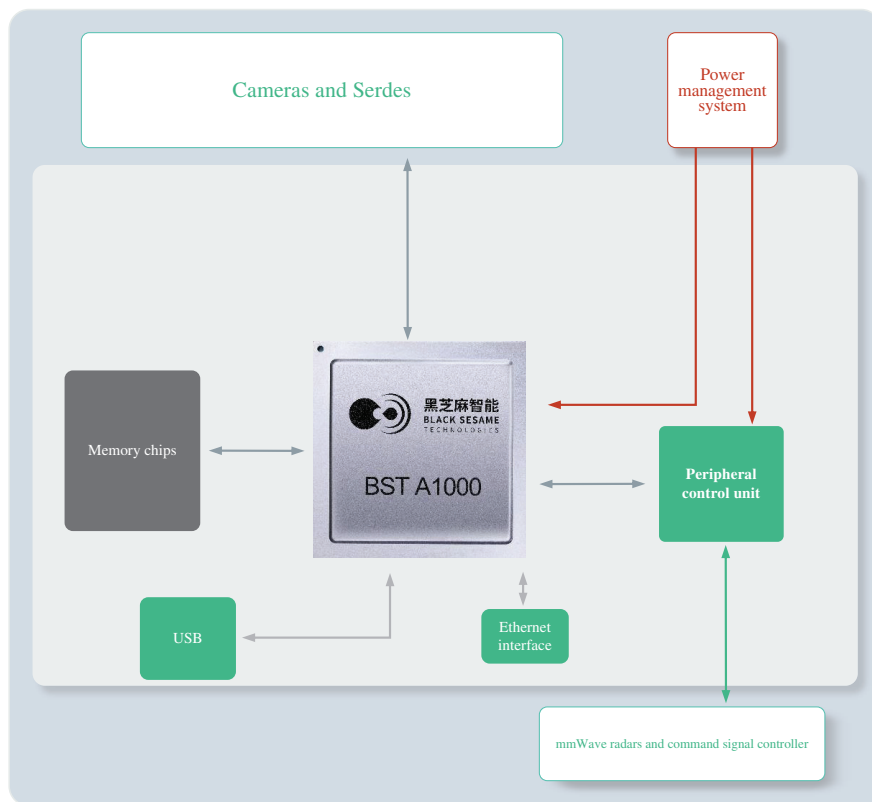
Huashan Series is a platform for automotive-grade autonomous driving SoC. All Huashan Series SoCs share the same internal and external system architecture to reduce deployment costs for customers and ensures smooth iterations to deliver enhanced performance with stability and reliability.

BUSINESS

The following diagram illustrates the internal architecture of Huashan A1000 SoCs:



The following diagram illustrates the external system architecture of Huashan A1000 SoCs:



Huashan A1000

The Huashan A1000, launched in June 2020, was the first high-computing power autonomous driving SoC with proprietary IP cores developed and launched in China, according to Frost & Sullivan. It features:

- Full support for L2+ to L3 autonomous driving;
- Single-chip solution integrating parking and driving;
- Multiple autonomous driving scenarios; and
- Balanced computing power and energy consumption, with the highest energy efficiency ratio in China at its launch time, according to Frost & Sullivan.

The Huashan A1000, developed with a 16nm FFC automotive process, offers 58 TOPS computing power on INT8 and processes up to 16 channels of HD camera inputs. These SoCs are ISO 26262 ASIL-B compliant, meet AEC-Q100 Grade 2 requirements, and are in compliance with environmental instructions such as RoHS, HF and REACH.

Huashan A1000 SoCs have been selected for factory-installation on mass-produced vehicle models of automotive OEMs, including FAW Group, Dongfeng, Geely, JAC and HYCAN based on our design wins.

Huashan A1000L

The Huashan A1000L, launched concurrently with Huashan A1000 in June 2020, is designed for L2 and L2+ autonomous driving. ISO 26262 ASIL-B and AEC-Q100 Grade 2 certified and as a light version of the Huashan A1000, the A1000L offers cost-efficient solutions for entry-level autonomous driving vehicles with mainstream ADAS functions. Its hardware structure and software support are similar to those of A1000, offering automotive OEMs an alternative for vehicle models at varying automation levels with ease of compatibility.

Using a 16nm FFC automotive process, the Huashan A1000L SoCs offer 16 TOPS computing power on INT8 and can handle up to eight channels of HD camera inputs. They also support single-chip solutions for integrated parking and driving, making ADAS functions affordable for entry-level autonomous driving vehicles.

The A1000 and A1000L SoCs share the same system architecture, providing ADAS to L3 level autonomous driving solutions with interchangeable software and hardware components.

Huashan A1000L SoCs have been selected for factory-installation on BAIC vehicle models based on our design wins.

Huashan A1000 Pro

In April 2021, we launched the Huashan A1000 Pro, an upgraded version of the A1000. It has the highest computing power among all autonomous driving SoCs in China (calculated on INT8 by TOPS), being the first autonomous driving SoC with over 100 TOPS computing power (106+ TOPS on INT8) developed and launched in China, according to Frost & Sullivan. It is:

- designed to support up to 20 channels of HD camera inputs, the most among peers in China, according to Frost & Sullivan; and
- compatible with multiple autonomous driving application scenarios, from urban road and highway driving to parking.

Huashan A2000

We are currently developing our next-generation SoC, the Huashan A2000. Employing a 7nm FFC automotive process, the A2000 SoCs are designed to have over 250 TOPS computing power on INT8 and will support a neural network accelerator with next-generation algorithms. The A2000 SoCs are designed to be ISO 26262 ASIL-B compliant and support enhanced cybersecurity.

Wudang Series

Our Wudang Series SoCs are designed with our proprietary Extreme Speed Data Exchange Infrastructure (ESDE), a high-speed processing, low-latency data exchange architecture. Targeting L2+ autonomous driving and cross-domain computation, the Wudang Series SoCs are designed to work with all major E/E architectures of intelligent vehicles. The innovative design of these SoCs integrates and allocates cross-domain computational capabilities across application scenarios. The structure is designed to meet the diverse specifications and safety requirements across domains, utilizing the heterogeneous isolation technology.

Wudang C1200

We announced the Wudang C1200 in April 2023, the first cross-domain computing SoC designed for intelligent vehicles in the China market, according to Frost & Sullivan.

The C1200 caters to the needs of multiple computational functionalities of intelligent vehicles by integrating the capabilities of the following: CPU, GPU, NPU, DSP, ISP, MCU and data exchange. Our in-house developed ESDE provides an efficient, secure, and reliable foundation for the isolation of different tasks in cross-domain computation, while meeting security levels. Furthermore, the C1200 supports low-latency processing and transmission of massive data volume to fully utilize its computing power, maximizing utilization and cost-efficiency.

Developed with a 7nm FFC automotive process, the Wudang C1200 SoCs is designed to process up to 12 channels of HD camera inputs. C1200 complies with the highest security standards, with its safety island design adhering to ISO 26262 ASIL-D, and its security module is designed to meet EVITA full qualifications.

The C1200 SoCs feature innovative isolated computing subsystems that render and display information for different domains independently. This design meets the stringent safety and security requirements and quick boot demands of control panels. These subsystems can also be flexibly applied to other computing scenarios that require a standalone system, including autonomous driving and HUD (head-up displays).

Autonomous Driving Solutions

In addition to our SoC offerings, we have developed a suite of hardware platforms and autonomous driving solutions to fully leverage the potential of automotive-grade SoCs. These solutions support autonomous driving functions across intelligent driving systems, safety systems and V2X solutions, and are designed for rapid deployment. We sell autonomous driving support software on a standalone basis and also together with the SoCs. Though we strategically prioritize L2 to L3 solution offerings at current stage, we do not intend to limit the target type of vehicles in the long run.

Autonomous Driving Solutions Covering ADAS to L3 and Beyond – BEST Drive

Our intelligent driving solutions, BEST Drive, offer a comprehensive closed-loop integrated solution pack from the collection and analysis of sensor information to decision-making and implementation, featuring the following:

- Drive Eye for Visual Perception and Display
 - o L1/L2 ADAS Support: Comprising one A1000 SoC, featuring 8MP front camera solution or independent surround view multi-camera parking system.
 - o Supporting 8MP front camera with multiple intelligent cameras in the cockpit.
 - o Fully presenting the imaging details of 8MP camera with power consumption efficiency.
 - o Automotive grade self-developed ISP ensuring the data from camera could be fine-tuned to meet the clear vision needs of autonomous driving algorithms and achieving optimal display performance in the cockpit.

BUSINESS

- Drive Sensing for Integrated Solutions

Drive Sensing covers L2+ driving, APA/AVP, full 3D scene and multi-channel DVR. We provide one of the first mass-produced single chip solutions for integrated parking and driving in China, according to Frost & Sullivan, providing coordinated support with single chip and optimized cost efficiency for automotive OEMs.

- o L2+: Comprising one A1000L/A1000 SoC and one MCU

The table below sets forth the capabilities of our Drive Sensing solutions when equipped with A1000L/A1000 SoC and varying amount of cameras and radars:

Black Sesame Drive Sensing integrated autonomous driving and parking solution		
Achievable functions	Single A1000L+5V5R	Single A1000+10V5R
360° Around View Monitoring	√	√
Automatic Parking Assist (APA)	√	√
Remote Parking Assist (RPA)	√	√
Home-zone Parking Assist (HPA)	√	√
Autonomous Valet Parking (AVP)	—	√
Adaptive Cruise Control (ACC)	√	√
Autonomous Emergency Breaking (AEB)	√	√
Lane Centering Control System (LCC)	√	√
High Way Assist (HWA)	—	√
High Way Navigate on Autopilot (NOA)	—	√
City Navigate on Autopilot (NOA)	—	√
High Way Pilot (HWP)	—	√

- Drive Brain for L3 Domain Control

- o L3: Comprising two to four A1000 SoCs
- o *Multi-sensors solution*: Based on our self-developed high computing power SoCs, Drive Brain realizes high-level autonomous driving domain control functions in factory-installed mass-produced vehicle models, supporting multiple types of sensors, including 8MP cameras and LiDARs.
- o *Wide application across scenarios*: Drive Brain integrates autonomous driving, high-precision map, automatic lane change and applications such as point-to-point navigation driving assistant, HPP/AVP parking, SOA and shadow mode.

- Drive Turing for Next-generation Autonomous Driving

We are developing the next-generation central computing autonomous driving solution Drive Turing, featuring massive computing power, high-level security and shared autonomy. Drive Turing will be powered by A2000 SoCs.

- o Next-generation Autonomous Driving: Comprising one A2000 SoC, supporting high computing power with high safety standards

Add-on Adaptive Safety System – Patronus

Our self-developed add-on adaptive safety system Patronus provides reliable adaptive safety support with carefully designed structure and material selection to provide cost-efficient solutions for commercial vehicle OEMs and Tier 1 suppliers, featuring the following:

- Complete and customized solution across vehicle types:
 - o Available for commercial vehicles and vans; and
 - o Combining controller, chip, algorithm, reference solution and algorithm porting tools, which can be tailored to customer needs.
- Various functions to meet diversified needs:
 - o *ADAS & Driving Recording*: High accuracy, completeness in objective classification, and strong adaptability;
 - o *DMS (Driver Monitoring System)*: Driver recognition and monitoring of fatigue, distraction, smoking, phone calling and absence situations with low demand for computing power and strong flexibility;
 - o *BSD (Blind Side Detection)*: Identification of vehicles, pedestrians and obstacles in blind areas; and
 - o *Surrounding View & Monitoring*: Monitoring inside and outside of cockpits and assisting in parking, reversing and in-car monitoring.

V2X Edge Computing Solution – BEST Road

Our BEST Road solution is designed for V2X edge computing, targeting the emerging road-side autonomous driving market, which has been rapidly developing along with the market of intelligent and electronic vehicles, featuring the following:

- Combined capabilities with powerful A1000 SoCs to provide 50+ TOPS of aggregated computing power, high-precision perception algorithms, multi-scenario image processing and multi-sensor fusion empowering applications for smart transportation;

- Vehicle and objective perception: The perception range is 300 meters, with vehicle identification accuracy of over 90%, license plate identification accuracy of over 95% and event accuracy over 95%;
- License plate perception: Covers up to 300 meters of license plate perception and tracking; and
- Radar-camera fusion: Fusion trajectory error within 50cm.

Development and Testing Platform – FAD

Built on the Huashan series SoCs with single or dual chip options, our FAD platform provides flexible development and testing services to our trial customers.

It streamlines the user experience with proprietary software algorithms and toolchains, providing customers with hassle-free, plug-and-play capabilities.

Huashan-SOM

We have developed our Huashan-SOM based on A1000 SoCs. Huashan-SOM integrates components including memory, storage, power management and rich interface, customized for application scenarios demanding high reliability and security.

With our Huashan-SOM, our clients are able to swiftly develop their products for end customers based on application scenarios, covering automotive, robotics and other edge-computing applications.

Intelligent Imaging Solutions

Drawing from our intelligent imaging technology capabilities accumulated in providing autonomous driving solutions, we offer high-end consumer electronics manufacturers and intelligent electronic providers with quality intelligent imaging solutions that empower a broad range of their devices to facilitate intelligent perception and content enhancement through algorithms. Our comprehensive offerings include embedding our proprietary IP algorithms into sensors and ISP chips. These components are compatible with most devices.

Our intelligent imaging solutions offer full-spectrum, mainstream image-enhancement optimization. This includes single-camera bokeh effect, light portrait beautification, facial identification, high dynamic range imaging and 3D depth effects. Moreover, our solutions, benefiting from our automotive-grade imaging capabilities, support parallel access to multi-camera imaging systems. They can simultaneously process vast quantities of video and image content, which is particularly useful in complex environments with multiple moving subjects. Further supported by our proprietary image processing technologies responsible for reception of camera inputs and optimization of video quality, and neural network technologies responsible for accelerated inference of AI algorithms for computer vision and improvement of computational efficiency, our AI-empowered intelligent imaging solutions provide cost-efficient choices for consumer electronic products.

Our proprietary AI algorithms empower sensors to capture high-quality images and videos under extreme conditions, such as poor or strong light conditions and high-speed movement, through optimization achieved by AI-enabled technologies including dynamic range control and de-noising. According to Frost & Sullivan, our AI algorithms support the analysis, understanding and improvement of visual signals through AI models that learn patterns from training data and then apply such learned patterns, thereby achieving the goals of image enhancement. Compared with traditional image processing technologies, our AI algorithms achieve superior performance in enhancing the image and video quality under various conditions.

Our intelligent imaging solutions comprise various imaging products, including smart portrait, smart super night view, smart beautification and smart HDR. Below is an introduction of two of our imaging products, smart portrait and smart super night view.

Smart Portrait

Our smart portrait product supports smart phone portrait editing with a single camera by creating blurred background and highlighting the portrait in the photos, also known as the bokeh effect. Smart portrait is empowered by our AI technologies including depth estimation, facial detection and portrait segmentation.

- *Depth Estimation*

Depth estimation through AI provides distance information of objects in the photo. Through machine learning processes enabled by our customized UNet++ with backbone of EfficientNet, our AI models are able to resume the 3D positions of various objects shown in a 2D photo, providing a bird's eye view of the original scope.

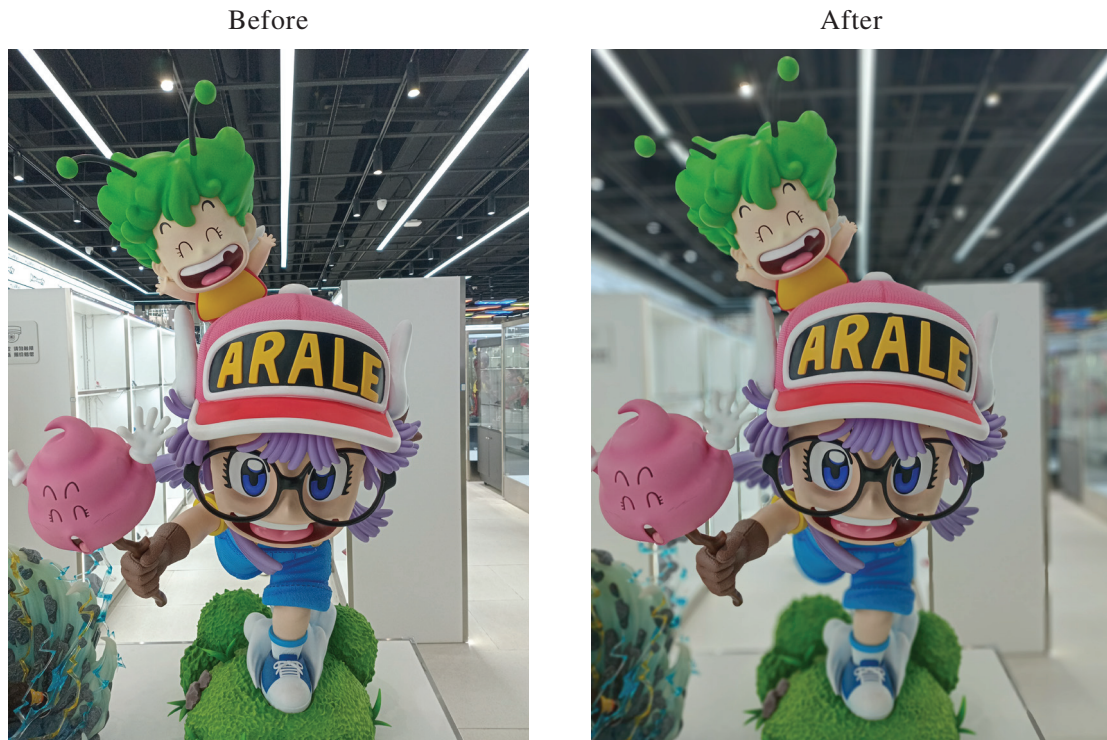
- *Facial Detection*

Facial detection identifies the positions, sizes and amounts of faces shown in a 2D photo. Through repeated training with utilization of deep learning processes empowered by our customized YOLO model, our AI models are able to achieve high accuracy of facial detection.

- *Portrait Segmentation*

Portrait segmentation separates the portrait and the background in the photo. With the information on positions and sizes of faces through facial detection, our AI algorithms supported by our customized UNet with backbone of MobileNet clearly identify the portrait and the background for further bokeh effect enhancement.

After the parallel processing of depth estimation, facial detection and portrait segmentation, our AI models conduct background bokeh rendering for objects with different depths, with the portrait identified remain unchanged, creating the aesthetic effect of blurred background for the portrait. The following pictures illustrate the bokeh effects to provide aesthetic quality images with blur produced in out-of-focus parts while keeping the identified portrait unchanged.



Smart Super Night View

Our smart super night view product enhances the imaging under poor lighting conditions, especially at nights. Smart super night view is empowered by our AI technologies including de-noising and background beautification.

- *De-noising*

Image noise is random variation of brightness or color information in images, an undesirable byproduct of image capture that obscures the desired information. Our customized UNet AI models trained through high-quality images without noises are able to identify and remove the image noises in 2D photos and separate them with the image details, creating a de-noised high-quality photo regardless of the original imaging effect.

BUSINESS

We mainly charge our customers based on the following three methods: (i) volume-based pricing based on number of devices installed with our solutions (in the form of algorithms or hardware modules embedded with algorithms), with price for algorithms ranging from US\$ 0.02 to US\$ 0.5 per device depending on the volume; (ii) project-based pricing based on algorithms deployed, with total price generally ranging from RMB 0.2 million to RMB 0.4 million; and (iii) annual usage fee which is determined on a case-by-case basis.

- ***Principal rights and obligations of parties involved:***
 - ***License of software and algorithms:*** We are responsible for timely provision of software and algorithms as well as necessary upgrades and maintenance support that meets customers' requirements. We generally provide operational training to our customers' personnel. Our customers are responsible for timely payments and no sublicensing is allowed without our permission.
 - ***Sales of products:*** We are responsible for timely delivery and quality assurance of products. We typically offer product warranty period of 18 months. Our customers are responsible for timely payments.
- ***Payment term:*** Our customers usually pay us upon delivery, or by milestones defined in the agreement such as agreement signing, delivery of solutions and customer's written acceptance of our solutions.
- ***Term and Termination:*** Licensing arrangements shall generally remain valid for the lifetime of the licensed products of our customers.

Commercialization

We are dedicated to accelerating the commercialization of autonomous driving products and solutions and contributing to the autonomous driving value chain. We started offering autonomous driving solutions in 2020, and was one of the earliest among industry peers in China to generate revenue from such business, according to Frost & Sullivan. We started mass-production of Huashan A1000/A1000L SoCs in 2022. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024. We have adopted a transaction-based model for our autonomous driving products and solutions and intelligent imaging solutions.

BUSINESS

We pioneered the development and global commercialization of autonomous driving technologies and solutions. In 2020, we launched our intelligent driving solution BEST Drive, and our add-on adaptive safety system, Patronus. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, our revenue was RMB60.5 million, RMB165.4 million, RMB312.4 million, RMB29.3 million and RMB27.5 million, respectively. The following chart illustrates the timeline of our commercialization of autonomous driving solutions, reflecting our sustained commitment to commercial application of advanced technologies:

Solutions	Intelligent Imaging Solutions	ADAS & Autonomous Driving Solutions	Add-on Adaptive Safety System	FAD Computing Platform	V2X Edge Computing Solutions	Huashan-SOM Core Computing Cards
Start of Revenue Generation	August 2018	November 2020	November 2020	December 2020	May 2022	March 2023

The following chart illustrates the timeline of our introduction of Huashan and Wudang Series SoCs, reflecting our continuous application of advanced technologies:

SoCs	Huashan A1000	Huashan A1000L	Huashan A1000 Pro	Wudang C1200	Huashan A2000
Launch	June 2020	June 2020	April 2021	November 2023	Expected in 2024
Start of Revenue Generation	August 2021	October 2021	June 2023	Expected in 2024	Expected in 2025
Mass Production	2022	2022	Expected in 2024 (subject to confirmation of customer order)	Expected in 2025	Expected in 2026

Note: We developed and launched the Huashan A500 in August 2019, which was subsequently discontinued as we launched more advanced Huashan A1000 Series SoCs. We have begun providing prototypes of Wudang C1200 to potential customers and are in the process of negotiation with renowned automotive OEMs for further collaboration. SoCs with designed computing power of 250+ TOPS gained positive feedback from multiple automotive OEMs, and we believe we are able to seize the market opportunities through launch of Huashan A2000.

BUSINESS

The table below sets forth our revenue breakdown by products and solutions in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
Autonomous driving products and solutions	34,261	56.6	142,282	86.0	276,318	88.5	22,666	77.5	23,581	85.8
– SoC-based solutions	1,615	2.6	85,377	51.6	193,613	62.0	10,553	36.1	16,235	59.1
– Algorithm-based solutions	32,646	54.0	56,905	34.4	82,705	26.5	12,113	41.4	7,346	26.7
Intelligent imaging solutions	26,243	43.4	23,160	14.0	36,073	11.5	6,590	22.5	3,892	14.2
Total	<u>60,504</u>	<u>100.0</u>	<u>165,442</u>	<u>100.0</u>	<u>312,391</u>	<u>100.0</u>	<u>29,256</u>	<u>100.0</u>	<u>27,473</u>	<u>100.0</u>

In the second quarter of 2023 and 2024, the value of orders we fulfilled was RMB77.2 million and RMB153.6 million, respectively. The table below sets forth our breakdown of the order backlog value by products and solutions as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31,	June 30,
				2024	2024
<i>(RMB in millions)</i>					
Autonomous driving Products and solutions	3.7	44.9	76.4	23.5	160.6
– SoC-based solutions	–	36.1	68.3	19.3	149.6
– Algorithm-based solutions	3.7	8.8	8.1	4.2	11.0
Intelligent imaging solutions	–	3.7	1.3	1.6	0.3
Total	<u>3.7</u>	<u>48.6</u>	<u>77.7</u>	<u>25.1</u>	<u>160.9</u>

BUSINESS

Key Operating Data

The table below sets forth key metrics of our autonomous driving products and solutions and intelligent imaging solutions in terms of customer development and retention, which is our primary focus at the early commercialization stage (investors are advised to measure our overall performance based on not only net dollar retention rate, but also all operating data, each of which should be considered as carrying the same weight):

	Year ended December 31,						Three months ended March 31,					
	2021			2022			2023			2024		
	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	SoC-based Solutions total	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	SoC-based Solutions total	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	SoC-based Solutions total	Autonomous Driving Products and Solutions	Intelligent Imaging Solutions	SoC-based Solutions total
Number of customers	15 ⁽⁶⁾	25 ⁽⁶⁾	62	7	20	61 ⁽⁷⁾	9 ⁽⁷⁾	16	15	2	17	4
Number of new customers	4	18	53	5	9	38	7	4	6	0	6	0
Average customer value (RMB in million) ⁽¹⁾	5.4	1.0	1.4	8.1	1.2	3.2	9.2	2.1	1.1	3.7	1.4	1.0
Average transaction value (RMB in million) ⁽²⁾	1.9	0.5	0.8	2.3	0.3	0.8	1.9	0.7	1.5	0.7	1.1	1.0
Transaction volume ⁽³⁾	17	55	113	25	68	254	44	52	11	11	22	4
Customer retention rate ⁽⁴⁾	50%	32%	60%	33%	44%	37%	29%	60%	15%	22%	16%	25%
Net dollar retention rate ⁽⁵⁾	74%	118%	5,273%	51%	68%	131%	15%	145%	19%	90%	44%	71%

BUSINESS

Notes:

- (1) Average customer value equals revenue of the business segment divided by the number of customers of the business segment.
- (2) Average transaction value equals revenue of the business segment divided by the number of transactions during the period.
- (3) Transaction volume equals the number of times we recognized revenue during the period.
- (4) Customer retention rate equals the number of customers that contributed to our revenue for both the current and previous periods divided by the number of customers of the previous period and multiplied by 100%.
- (5) Net dollar retention rate equals the revenue of a current period from customers that contributed to our revenue for both the current and previous periods divided by the revenue of the previous period and multiplied by 100%.
- (6) There was one overlapping customer of autonomous driving products and solutions business and intelligent imaging solutions business in 2021.
- (7) There was one overlapping customer of SoC-based solutions and algorithm-based solutions in 2023.

We had a total of 45, 89, 85 and 21 customers in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. For autonomous driving products and solutions, number of our customers increased from 21 in 2021 to 69 in 2023, primarily due to our continuous efforts in launching new products and bringing them to mass-production, especially as we started mass-production of Huashan A1000/A1000L SoCs in 2022. Number of our customers for intelligent imaging solutions decreased from 25 in 2021 to 16 in 2023, primarily because we terminated relationship with certain intelligent imaging solution customers related to whom the costs and profitability did not meet our expectation.

Average transaction value of our autonomous driving products and solutions business decreased from RMB1.0 million in 2021 to RMB0.9 million in 2023, primarily because the number of customers increased significantly and we started to offer more diversified products. Average transaction value of our intelligent imaging solutions business increased from RMB0.5 million in 2021 to RMB0.7 million in 2023, primarily due to the increasing need of our intelligent imaging solutions from certain existing customers with whom we had stable relationships.

The transaction volume of our autonomous driving products and solutions business increased from 35 in 2021 to 298 in 2023. Such increase was in line with our continuous commercialization efforts.

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The customer retention rate of our autonomous driving products and solutions business increased from 18% in 2021 to 35% in 2023, primarily due to our continuous efforts in launching new products and bringing them to mass-production, and our increasing production lines and upgraded solutions enable us to enhance customer loyalty. The customer retention rate of our intelligent imaging solutions business increased from 32% in 2021 to 60% in 2023, and such increase was generally alongside our process for screening customers that can meet our business management expectation for profitability contribution.

The net dollar retention rate of our autonomous driving products and solutions business increased from 67% in 2021 to 84% in 2023, primarily due to the enhanced customer recognition of our continuously upgraded autonomous driving products and solutions. The net dollar retention rate of our intelligent imaging solutions business increased from 118% in 2021 to 145% in 2023, alongside our process for screening customers that can meet our business management expectation for profitability contribution.

In 2021, 2022, 2023 and the three months ended March 31, 2024, the customer value from our key SoC-based solution customers (accounting for 80% of our revenue from SoC-based solutions) ranged from RMB0.1 million to RMB0.2 million, RMB2.6 million to RMB43.8 million, RMB9.6 million to RMB35.0 million and RMB3.3 million to RMB13.1 million, respectively.

Market Opportunity and Competition

The key autonomous driving SoC market players in China include Horizon Robotics, HI-SILICON and us. The key autonomous driving SoC market players in other countries include NVIDIA, Mobileye, Qualcomm, Texas Instruments and Renesas. The tables below set forth comparisons among mainstream Chinese and international autonomous driving chips and solutions providers in 2023.

Ranking of autonomous driving chips and solutions providers by revenue¹ from the China market, 2023²

Ranking	Provider	Market share in China, 2023
1	Company E ³	27.5%
2	Company A ⁴	23.7%
3	Company F ⁵	4.8%
4	Company B ⁶	3.6%
5	The Group	2.2%
6	Company C ⁷	1.8%
7	Company G ⁸	1.6%

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

BUSINESS

Notes:

- 1 Revenue refers to revenue generated from autonomous driving chips and solutions, excluding revenue from license and services.
- 2 According to Frost & Sullivan, the autonomous driving chips and solutions market in China (i) is characterized by high volume of low-cost chips requiring less complicated technologies currently, while high-computing power SoCs with relatively high costs and more advanced technologies are expected to account for more market share gradually in the next few years, and (ii) has a high market concentration rate with five to ten major players, whose products come in different forms such as standalone chips, chips embedded with IP cores and support software and software-hardware bundled solutions. Therefore, to provide a fair overview of the competitive landscape of the market, the ranking is presented in terms of the major players' respective revenue from the China market.
- 3 Company E is a company developing autonomous driving technologies and providing AD SoC products. Company E was founded in 1999 and listed on Nasdaq in 2022.
- 4 Company A is a manufacturer of high-end graphics processing units (GPUs) founded in 1993 and listed on the Nasdaq in 1999.
- 5 Company F was founded in 1930 and listed on the Nasdaq in 1953. Company F is a provider of semiconductor chips for automotive, industrial robots, solar panels and satellites applications.
- 6 Company B is a provider of computing solutions for advanced driver assistance systems (ADAS), as well as AIoT solutions. Company B is a private company founded in 2015.
- 7 Company C is a private company incorporated in 1991 and mainly provides semiconductor products and services for smart devices, including smart vision, smart IoT, smart mobility, mobile SoCs, data centers, and optical transceivers.
- 8 Company G was founded in 2003 and listed on the Tokyo Stock Exchange. Company G provides semiconductor chips for automotive, industrial, home electronics, office automation, and information communication technology applications.

In 2023, the shipments of high-computing power SoCs in units in China and globally were around 1.5 million and 1.6 million, respectively, according to Frost & Sullivan. In the autonomous driving SoC market, various companies use different pricing tactics depending on their product performance, production capacity, and customer negotiation power. In general, chips with greater computational power are priced higher.

Currently, autonomous driving technology is evolving from L2 to L3, with 50+ TOPS generally considered to be the computing power required to potentially achieve L3 autonomous driving functionality. Therefore, 50 TOPS SoCs are widely considered to be the threshold that differentiates high-computing power autonomous driving chips from more common ones. In 2023, the market size of high-computing power autonomous driving SoCs in China reached RMB6.0 billion, accounting for 42.2% of the total market size of autonomous driving SoCs in China, according to Frost & Sullivan.

Ranking of high-computing power¹ autonomous driving SoC shipment in units in China, 2023²

Ranking	Provider	Market share in China, 2023
1	Company A	72.5%
2	Company B	14.0%
3	The Group	7.2%
4	Company C	5.6%
5	Company D ³	0.4%

Source: Third-party industry reports, white papers, public news and government statistics; Interviews with industry experts actively engaged in the automotive and autonomous driving industries; Frost & Sullivan analysis

The shipment of high-computing power SoCs in units in China increased significantly in 2023 and reached 1.5 million, and the Company captured a share of around 7.2% in the China market in 2023, according to Frost & Sullivan.

Notes:

- 1 SOC with 50+ TOPS
- 2 The market share for 2023 is calculated based on the shipments of high-computing power SoCs in units, taking into account of a series of factors such as product type, number of existing and potential customers, and sales volume of installed vehicles. According to Frost & Sullivan, it is a common practice in the autonomous driving industry and the automotive industry to use product shipment volume in units as an indicator to evaluate, compare and rank the market positions of SoC providers. The number of shipment volume usually reflects the acceptance and popularity of SoC provider’s products and further implies the product performance and quality of a certain provider, according to the same source.
- 3 Company D was founded in 1985 and listed on the Nasdaq in 1991. Its portfolio includes products for processors, platforms, and connectivity.

The SoCs offered by the aforementioned players are primarily used in L2 (including L2+) and below vehicles. This is because L2 (including L2 +) and below vehicles have been in commercial use for many years and represent the dominant segment in the autonomous driving industry. On the other hand, L3 and above vehicles are still in the early stages of commercialization and are mainly seen in pilot programs. In 2023, the SoC market size for ADAS application (L1 and L2 autonomous driving) reached RMB14.1 billion in China, while the SoC market size for ADS application (L3 and above) was only RMB0.01 billion in China, according to Frost & Sullivan. However, as autonomous driving technology is advancing to higher levels with a significant market opportunity, major market players are actively engaged in developing their SoCs for application in L3 and above autonomous driving scenarios.

Intelligent imaging solution refers to the utilization of smart algorithms to perceive, recognize, enhance, and process images or videos for automated analysis, enabling various applications such as facial recognition, object detection and tracking, image classification, and visual inspection. These solutions are applied in a variety of industries, including traditional automotive, autonomous driving, consumer electronics, industrial automation and medical imaging. The market size of intelligent imaging solution reached RMB12.8 billion in China in 2022, with the top five market players accounting for 44.8% of the market size, according to Frost & Sullivan.

OUR TECHNOLOGIES

Our comprehensive capabilities covering intelligent vehicle SoCs, support software, hardware architecture, proprietary IP core and algorithms empower us to integrate different components to launch our diversified and customer-centric products and offerings. On top of our proprietary SoC products, we have self-developed IP core and technologies since our inception focusing on imaging, interconnection and intelligence, which have been commercially implemented in autonomous driving vehicles and other image-related areas. We have strategically decided to develop our proprietary image signal processor (ISP) and neural processing unit (NPU), providing flexible and compatible support to our SoCs. We also offer Hanhai ADSP Middleware to empower the development and deployment of autonomous driving applications by customers on our SoCs and launched our Shanghai Development Toolchain, a user-friendly toolchain for developers to develop software based on our SoCs.

Proprietary Technologies

NeuralIQ ISP

Our self-developed image signal processor NeuralIQ ISP provides high-performance single processor support for multi-cameras on vehicle with high-quality and multi-mode processing capabilities at high speed, which was one of the first self-developed automotive grade ISP product in China, according to Frost & Sullivan, featuring the following:

- ***One processor for multi-cameras:*** NeuralIQ ISP supports the mainstream multi-camera architecture adopted by most ADAS systems and autonomous driving vehicles.
 - *Cost-effective:* with one processor connected to multi-cameras in the system, NeuralIQ ISP substantially reduces the costs for separate processor installation and the hardware costs for the entire system;
 - *Unified control:* being the only central processor for multi-cameras, NeuralIQ ISP could achieve unified control for coordinated task allocation among multi-cameras, and also promoting coordination between camera system and other sensors; and

- o *Increased flexibility:* NeuralIQ ISP facilitates imaging fine-tuning accommodating a wide range of types of cameras by various manufacturers with varying intrinsics which increases the flexibility for image quality adjustment and tailors to the specific requirements by the backend algorithms of automotive OEMs. For example, it accommodates 15 types of cameras when integrated in the Huashan A1000 SoC.
- ***Multi-mode processing at high speed:*** Equipped with multi-cameras, NeuralIQ ISP provides both a high processing rate and a high transmission rate.
 - o *Input:* up to 16 HD cameras;
 - o *Processing capability:* 3.6 billion 3-exposure pps and 1.2 billion single-exposure pps for multi channels;
 - o Concurrent online video processing; and
 - o Supporting online, offline or mixed processing modes.
- ***High quality image processing:***
 - o Supporting HDR processing which meets high quality automotive image processing requirements;
 - o High dynamic exposure, low-light noise reduction, and suppression of LED flash; and
 - o *Outstanding performance under extreme light conditions:* reflection in rainy night/extreme foggy/backlight.

DynamAI NN Engine

Our self-developed neural processing unit DynamAI NN Engine supports high-performance neural network acceleration for the data fusion, feature extraction and classification of data information generated by the sensors on vehicle with a cost-efficient and specialized ASIC architecture, which was one of the first self-developed automotive grade NPU in China, according to Frost & Sullivan, featuring the following:

- Simultaneous optimization for software and hardware through adaptive quantization, structural crop/compression and subgraph planning, with performance improved by more than 15 times;
- Supporting multi-array, multi-precision, and high computing power through proprietary design of structure; and
- ***Powerful perception capability:*** 89% in precision with 87% in recall rate.

Support Software

Hanhai ADSP Middleware

Hanhai ADSP Middleware platform, based on our SoCs with high computing power and outstanding performance, enables customers to rapidly migrate and deploy applications. It is extensively applicable to autonomous driving and V2X application scenarios, and also plays a fundamental role in facilitating automotive software and hardware unbundling. Hanhai ADSP Middleware allows customers to rapidly and readily deploy the powerful performance of our SoCs, improve their R&D efficiency, lower development barrier, reduce overall cost and accelerate mass-production. Hanhai ADSP Middleware features the following:

- ***A full-suite of development toolkits***: Consisting of development toolkits targeting SoC, MCU and PC, compatible with the development of autonomous driving and V2X application scenarios.
- ***Openness***: The key modules of the autonomous driving system and other basic software components are packaged into open APIs, allowing users to access and use the processing capabilities of the Huashan series SoCs swiftly and easily.
- ***Swift deployment***: Reducing the development workload of customers and shortening the development cycle of applications from the customer end. It can also help customers continuously improve the performance of autonomous driving applications.
- ***Broad compatibility***: Compatible with a large variety of vehicle models and third-party autonomous driving systems and thus reducing customers' development and deployment costs.

Shanghai Development Toolchain

We launched our Shanghai Development Toolchain, an easy-to-use toolchain for algorithm developers to develop software based on our SoCs, which was one of the first self-developed automotive-grade development toolchains in China, according to Frost & Sullivan, featuring the following:

- ***Extensibility***: supporting Tensorflow, Pytorch, and ONNX frameworks;
- ***High precision***: supporting post-training quantization of AI models, as well as quantization-aware training (QAT) to ensure the precision of AI models;
- ***Completeness***: equipped with NN models in its Model Zoo and deep learning models, which provides instructions to customers for easily and rapidly developing and deploying algorithms. A complete toolchain SDK and application support help customers deploy optimized models with ease.
- ***Flexibility***: Flexible deployment with docker images.

RESEARCH AND DEVELOPMENT

Our ability to develop new technologies, design new products and solutions, and enhance existing products and solutions is critical for maintaining our market position.

R&D Team

Our R&D team consists of dedicated talents with profound industry expertise, focusing on developing and commercializing our products and solutions which help maintain our technological advantages and market competitiveness. Each of our core R&D team members has more than 15 years of industry experience in engineering, with global working experience in reputable technology companies, such as Bosch, OmniVision, Qualcomm and ZTE. Each of our core R&D team members has their specialized area and the following table sets out their profile:

Core R&D team member	Profile
Mr. ZENG Daibing	Our chief system officer who has over 23 years of experience in research and development and software management of chips and is familiar with the process of mass production of chips. He is primarily responsible for overseeing the research and development of SoCs, focusing on chip architecture, chip implementation and underlying software development. Mr. Zeng also serves as vice chairman of the automotive basic software branch under the Society of Automotive Engineers of China. See “Directors and Senior Management – Directors – Executive Directors.”
Mr. WU Donghui	Our vice president for image science who has 21 years of experience in algorithm development. He oversees our algorithm development with a focus on image, video, and computer vision algorithms and assessment of the image quality.
Mr. XIONG Chengyu	Our vice president for ASIC design who has stayed with us since our incorporation. With over 25 years of experience in hardware engineering, Mr. Xiong leads the IP core development including ISP, computer vision and neural network.

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Mr. HE Tiejun

Our vice president for SoC who has over 15 years of experience in the chip industry with a specialization in the SoC design. Mr. He joined us in 2018 and established our SoC R&D team. He has led the development of our flagship Huashan series, of which the A1000 Series has achieved mass production. Mr. He now oversees R&D projects of automotive grade SoCs, including our Huashan and Wudang Series SoCs. Mr. He also serves as expert member of the Automotive Chip Industry Technology Innovation Consortium of Hubei Province.

Mr. YOU Changhai

Our vice president for system software who has 18 years of work experience in hardware and software engineering, operating system design, as well as production and supply chain management. Mr. You is responsible for our system software development for SoCs.

As of March 31, 2024, our R&D team consisted of 908 members, 63.7% of which held a master's degree or above. Our R&D team represented 86.3% of total employees as of the same date. We incurred R&D expenses of RMB595.4 million, RMB764.1 million, RMB1,362.5 million, RMB266.5 million and RMB339.4 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, constituting 78.7%, 69.4%, 74.0%, 69.2% and 76.0% of our total operating expenditure for the respective periods.

We retain key management and technical staff with competitive remuneration packages and welfare benefits. We also invest in continuing education and training programs to upskill our key management and technical staff. In the event of termination of employment requested by a key staff, we closely communicate with the staff for the reason of departure and feedback for us. The salient terms of agreements with management and technical staff are set out below:

- **No conflict:** During the employment, employee shall not engage in any other job, whether full-time or part-time.
- **Inventions arrangement:** We shall own all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, sui generis database rights and all other intellectual property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designs, know-how, ideas and information made or conceived or reduced to practice, in whole or in part, by the employees during the term of the employment contract to the fullest extent allowed by applicable laws and the employee shall promptly disclose all inventions to us.

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- **Proprietary information arrangement:** All inventions and all other business, technical and financial information (including, without limitation, the identity of and information relating to customers or employees) the employee develops, learns or obtains during the term of the employment contract that relate to us or the business or demonstrably anticipated business of us, or that are developed in whole or in part on our time or using our equipment, supplies, facilities or confidential information, or that are received by or for us in confidence, constitute proprietary information. The employee shall hold in confidence and not disclose or, except within the scope of the employment, use any proprietary information.
- **Confidentiality:** During the employment, except as necessary to perform their duties, and for all time thereafter, employees shall not, without our prior written consent, disclose, divulge, announce, publish, impart, transfer or otherwise make known to any third party, or in any way use any information, such as technical and trade secrets, belonging to us or belonging to any other party for which we have a duty of confidentiality.
- **Non-competition:** We have the right to unilaterally initiate a non-competition period of up to two years following the termination of employment. During the term of employment and the non-competition period initiated by us, employee shall not engage in any competitive behavior.
- **Non-solicitation:** During the employment and for all time thereafter, employee shall not, directly or indirectly, solicit or attempt to solicit our employees to leave their employment or solicit or otherwise influence our relationships with our customers or suppliers.

To improve our R&D capability at the group level, we have established the patent application management policy and process, which stipulates that we will grant our employee cash incentives on the condition that (i) the employee discloses to us his/her idea for inventions and innovations, and such employee is approved internally to submit a patent application to the China National Intellectual Property Administration, and (ii) such patent application is formally approved by the China National Intellectual Property Administration. In 2021, 2022, 2023 and the three months ended March 31, 2024, we paid RMB0.4 million, RMB0.6 million, RMB0.6 million and RMB0.2 million of cash incentives, respectively, under the patent application management policy.

During the Track Record Period, there was no legal claim or proceeding that may have an influence on the R&D of our Specialist Technology Products.

Key Research Projects

We engaged in R&D of Huashan A1000 and A1000L SoCs from 2019 to August 2022, and R&D of Huashan A1000 Pro SoCs from June 2020 to June 2022, respectively. We started R&D of our A2000 SoCs from September 2022 and expect to announce the product in 2024.

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The table below sets out the key R&D milestones of Huashan A1000 and Huashan A1000 Pro:

Key R&D milestones	Huashan A1000	Huashan A1000 Pro
Product definition	November 2018	June 2020
Design initiation	January 2019	July 2020
Design completion	January 2020	February 2021
Testing initiation	April 2020	August 2021
Testing completion	August 2022	June 2022

Outsourced R&D Arrangements

We engage independent IC design service companies for certain outsourced R&D arrangements from time to time. In line with the industry norm according to Frost & Sullivan, we generally outsource relatively standard design and test procedures such as circuit design for simulation test to third parties so that we are able to focus our R&D resources on our core technologies and improve our R&D efficiency. During the Track Record Period, we had collaborated with technical service providers in China for certain processes of our SoC design. Such technical service providers provide customized circuit design services with their experienced staff having more than ten years of experiences in the chip design field. The salient terms of our standard outsourced design service agreement are set out below:

- ***Intellectual Property:*** All the resulting intellectual properties of the project belong to us. The engaged party would not infringe third parties' intellectual properties for performance of its obligations under the agreements, and would indemnify us for any losses suffered due to third parties' demand for compensations.
- ***Pricing and payment:*** The pricing of the outsourced R&D services depends on the type of the specific R&D work. We generally pay by milestones as defined in the agreement.
- ***Confidentiality:*** The engaged party is responsible for keeping strict confidentiality of all the information provided by us, and would be responsible for any breach of confidentiality. The confidentiality clause applies for three years from the provision of information.
- ***Termination:*** The agreements will be terminated by mutual agreement, or by other means as set forth in the agreements.

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We typically assign our employees as project representatives to participate in the project implementation, and to oversee and coordinate the working process to ensure quality. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, our expenses in relation to outsourced R&D arrangements with such technical service providers were RMB14.5 million, RMB17.0 million, RMB36.6 million, RMB12.3 million and RMB12.3 million, respectively, accounting for 2.4%, 2.2%, 2.7%, 4.6% and 3.6% of our total R&D expenses in the respective periods.

Third-party Technologies

In line with the industry norm according to Frost & Sullivan, we procure assistive third-party technologies to facilitate a smooth and efficient chip design process. We mainly license from third parties for (i) IP cores that form support modules in our SoCs, for example, IP cores with basic control functions or interface functions, which are generally designed in accordance with international standards; and (ii) software tools such as electronic design automation (EDA) tools. We generally licensed from reputable third-party technology providers for their industry-recognized technologies. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, we had IP licensing fees of RMB210.1 million, RMB33.8 million, RMB69.7 million, RMB16.7 million and RMB8.4 million, respectively, accounting for 35.3%, 4.4%, 5.1%, 6.3% and 2.5% of our total R&D expenses in the respective periods.

We mainly procure IP cores including CPU/GPU IP cores and interface IPs, and EDA tools including network interface units (NIU) and version control systems (VCS) from reputable third-party technology providers to facilitate our development of SoCs. For example, we procure CPU and GPU processor cores and relevant device development kits licensed by renowned IP core providers that are optimized for energy-sufficient integrated circuits to be embedded in our SoCs. According to Frost & Sullivan, there are various alternative products available in the market for such IP cores and EDA tools, and we believe we are able to find alternative IP core and EDA tool providers even if we terminate our collaborations with current suppliers.

The salient terms of our agreements with third-party technology providers are set out below:

- ***Licensing arrangement:*** IP core providers generally grant us non-transferable, non-exclusive, world-wide license for using, copying and modifying the IP cores for purpose of designing the agreed product. Software tool providers generally grant us the right to install, access and use the software tools as agreed. We are generally not allowed to assign, sub-license or otherwise transfer the license to any third party.
- ***Fees and payment:*** We are generally charged of a one-off licensing fee, royalties, as well as separate support and maintenance fees. The pricing is determined by the providers' standard price quote. CPU/GPU IP core prices range from RMB20 million to RMB90 million. Other IP prices generally range from RMB0.2 million to RMB3 million. Meanwhile, we are charged royalties at a percentage of 0.1% to 3.5% of the average selling price.
- ***Term and Termination:*** The term of our agreement with third-party technology providers generally ranges from one to three years and may be terminated upon mutual consent or by either party in the event of counterparty's material breach.

R&D Process

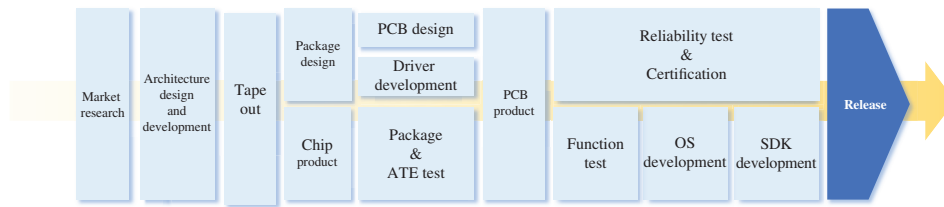
Intelligent Vehicle SoCs

For intelligent vehicle SoCs to be delivered and installed on vehicle models, the SoCs will typically go through the stage of launch, customer design wins and mass-production, which could typically be a lengthy process especially considering the automotive grade certifications required for the SoCs to be installed on vehicles.

Starting with market research, we take into consideration the customer demand and target market when setting the key metrics of our SoCs. After we launch the development project, we will go through steps including chip architecture design, logic function design, system integration and simulation for verification. After the SoCs pass simulation for verification, we will tape out the SoCs with the foundry supplier. Once the tape-out succeeds, we will proceed with function testing and performance testing for the SoCs to verify if the SoCs function as designed. It could take multiple rounds of tape-outs to fix bugs if the testing results does not meet expectation. After tape-out, testing and packaging, SoCs will be tested at product level with more robust testing procedures before launch to prevent product design defects. After these procedures, we have self-developed SoCs ready for product launch.

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After launch of the product, it usually takes at least several months before the SoCs are selected for factory-installation by automotive OEMs and/or Tier 1 suppliers. It would typically take another 12 to 24 months for the automakers to complete the R&D of the whole vehicle model before the SoCs could be mass-produced, delivered and installed on the vehicle models. At this stage, we conduct strict automotive grade testing and fine-tune the software and hardware architecture, especially through compatibility testing for hardware and customized software development with corresponding algorithm migration. Upon completion of relevant SoC testing, automotive OEMs and/or Tier 1 suppliers will also conduct on-road testing under real-world driving environment and conditions. The following diagram illustrates the R&D process of our intelligent vehicle SoCs:



Our Wudang C1200 SoC is currently at the function test stage, and our Huashan A2000 SoC is currently at the architecture design and development stage.

Autonomous Driving Solutions

Our autonomous driving solutions and SoC-integrated hardware leverage the underlying capabilities of our autonomous driving SoCs and provide diversified products catering to the market demand. We have benefited from our first-mover advantage and have developed mature reference design of the multiple solutions we offer, including add-on adaptive safety system and V2X edge computing solution. Customers could refer to our reference design and decide the cooperation scope based on their own technology capabilities. We could provide standalone SoCs, software and/or hardware solutions based on the customer demand. With our R&D and technology capabilities we could respond swiftly to change in market and develop customized solutions for the clients within one year from engagement to delivery.

Intelligent Imaging Solutions

Our intelligent imaging solutions cater to the various kinds of smart devices. We have designed diversified algorithm products tailored to real-world user demand. Our algorithm products for smart devices leverage on the intelligent perception and content enhancement capabilities developed through our autonomous driving offerings and we further optimize, enhance and integrate the algorithms and models suitable for smart devices to ensure compatibility and stable operations with the various hardware platforms. We also conduct strict performance testing and function testing with the smart device providers to provide end users with satisfying experiences.

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AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we had received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Award/Recognition	Award year	Awarding Institution/Authority	Entity/Product
Innovative IC Design Company, 2023 China IC Design Achievement Awards	2023	Electronic Engineering Times	Black Sesame
2022 Global NEVs Cutting-edge and Innovative Technologies Selection	2022	World New Energy Vehicle Conference 2022	A1000
50 Smartest Companies	2022	MIT Technology Review	Black Sesame
“Future Star” 21 High-growth Innovative Companies of the Year	2022	China Entrepreneur	Black Sesame
“China Chips” Major Innovative Breakthrough Product of the Year	2021	China Center for Information Industry Development	A1000 Pro

DATA SECURITY AND PRIVACY

We attach the greatest importance to data security and protection. We have adopted our standard protective measures including confidentiality categorization, access control, data encryption and desensitization to prevent unauthorized access, leakage, improper use or modification of, damage to or loss of data. We do not collect and store autonomous driving data of end-users from automotive OEMs or Tier 1 suppliers. We only retain collected data from third-party vendors for the period as specified in the relevant authorization letters or agreements on our data platform. We annotate the collected data in accordance with their restricted purposes of usage and limited time frame of storage. We do not allow data operations other than annotation without approval of responsible personnel during the data annotation process, including but not limited to revision, deletion, saving or sharing. The annotation results are submitted to our data platform for future references. We have built up a comprehensive data management system and formulated a series of technical standards and specifications to ensure data security throughout their life cycle:

- ***Data Collection and Destruction***

We collect data on the premise that we could ensure the authenticity, accuracy and necessity of the data. We only collect personal information upon consent of the relevant individuals, and if it is necessary to use personal information beyond the scope due to business needs, we would request explicit consent of the relevant individuals before further proceeding. Once we achieved the original purposes for collecting relevant data or the agreed storage period expires, we would delete the relevant data within 15 working days.

- ***Data Processing***

Access to the original data through the database is only permitted with due course, and the relevant personnel must keep confidentiality of the data they access. When business personnel need to access data through the database, such personnel should submit a written application and be approved by the department head and IT department head and then handed over to the IT department for unified arrangement of query and data extraction. After the business personnel access the data, such personnel should ensure proper use within the scope of approval and should not misuse or breach confidentiality.

Business personnel shall not add, modify or delete original data in the database without permission. When the data needs to be modified due to business needs or bug fixing, a written application shall be submitted for unified arrangement of corresponding modification after the approval of the department head. When modifying the data, the feasibility and safety should be fully demonstrated and the modification plan should be determined before the modification is carried out to ensure that the system is error-free after the data is modified.

- ***Data Storage***

Access to the database and backup files should be strictly controlled, and unauthorized access to the data and backup files is strictly prohibited. The backup data must be safely stored and the storage media cannot be placed on the desktop or other exposed places.

We use a variety of technologies to protect the data we collect, including encryption and backup.

- ***Data Encryption***

We determine the data protection level based on our risk assessment, and assign corresponding measures to each level taking into consideration the type and property of encryption algorithms and the length of the password used. We routinely review and amend our encryption policies as appropriate, and ensure important information must be encrypted when transmitted.

- ***Data Backup***

We maintain data backups for core application systems in two or more copies, and the data retention period should be at least two weeks. Daily backup shall be performed for business-related data. We conduct mandatory system and data backup before and after substantial upgrade of the systems. We retain data backup for business-related information for more than 18 months.

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INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property rights and proprietary protections for commercially important technologies, inventions and knowhow related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the intellectual property rights of third parties.

As of the Latest Practicable Date, we owned 58 registered patents in China and 75 registered patents in the United States, and 120 patent applications in China and 43 patent applications in the United States. As of the same date, we had two integrated circuit layout design registrations, 102 software copyrights in China, two software copyrights in the United States and 176 registered trademarks globally. The intellectual properties for each of our Specialist Technology Products are all self-developed by our R&D department.

We acquire patents through self-development. As of the Latest Practicable Date, we owned all of our patents as well as patent applications and had no co-own or co-share arrangements of our patents and patent applications with third parties.

The table below lists the portfolio of material patents, patent applications and software copyrights for our core technologies of which we are the registered owner as of the Latest Practicable Date:

No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
1.	The method of automatic white balance (自動白平衡的方法)	Invention	N/A	China	Black Sesame Wuhan	PRC	2022-1064- 7760.6	May 16, 2023	June 8, 2042	Granted
2.	Defective pixel correction method (缺陷像素校正方法)	Invention	N/A	China	Black Sesame Wuhan	PRC	2022-1021- 6127.1	May 9, 2023	March 7, 2042	Granted
3.	Bandwidth-efficient image signal processing with interleaved online and offline (在線和離線交錯的帶寬高效的圖像信號處理)	Invention	N/A	China	Black Sesame Chongqing	PRC	2021-1048- 5511.7	April 18, 2023	April 30, 2041	Granted
4.	Method, apparatus and system for external reference calibration of image acquisition devices (用於圖像獲取設備的外參標定方法、裝置和系統)	Invention	N/A	China	Black Sesame Chongqing	PRC	2021-1017- 9411.1	February 28, 2023	February 7, 2041	Granted

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
5.	System and method for detecting objects on long distance roads (用於檢測遠離道路上的物體的系統和方法)	Invention	N/A	China	Black Sesame Chongqing	PRC	2020-1027-8360.3	December 21, 2021	April 10, 2040	Granted
6.	Method for measuring illumination condition by using double cameras (利用雙相機測量光照條件的方法)	Invention	N/A	China	Black Sesame Shanghai	PRC	2019-1087-5647.1	September 28, 2021	September 17, 2039	Granted
7.	Method for splicing optical images in 360-degree panoramic looking around by utilizing cameras and radars arranged around vehicle (拼接全景光學圖像的方法)	Invention	N/A	China	Black Sesame Shanghai	PRC	2019-1036-7735.0	June 17, 2022	May 5, 2039	Granted
8.	Three-phase machine alignment in mobile devices (移動設備中的三相機對準)	Invention	N/A	China	Black Sesame Shanghai	PRC	2019-1034-9777.1	June 15, 2021	April 28, 2039	Granted
9.	Dual camera calibration (雙相機校準)	Invention	N/A	China	Black Sesame Shanghai	PRC	2019-1030-3852.0	August 12, 2022	April 16, 2039	Granted
10.	For generating the dual camera systems of real-time deep figure (用於生成即時深度圖的雙相機系統)	Invention	N/A	China	Black Sesame Chengdu	PRC	2018-1150-9919.8	May 4, 2021	December 11, 2038	Granted
11.	Method of double camera focusing (一種雙相機對焦的方法)	Invention	N/A	China	Black Sesame Wuhan	PRC	2018-1084-6324.5	September 17, 2021	July 27, 2038	Granted
12.	A method for reducing global motion and roll-up shutter effects in dual camera systems (一種減少雙攝像頭系統中全局運動和捲簾快門效應的方法)	Invention	N/A	China	Black Sesame Chongqing	PRC	2022-1147-6800.1	N/A	N/A	Pending
13.	Image processing methods, devices and electronic devices (圖像處理方法、裝置及電子設備)	Invention	N/A	China	Black Sesame Shenzhen	PRC	2022-1128-9652.2	N/A	N/A	Pending

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
14.	Image acquisition systems and methods, electronic devices and computer readable storage media (圖像採集系統和方法、電子設備和計算機可讀存儲介質)	Invention	N/A	China	Black Sesame Shenzhen	PRC	2022-1102-4160.0	N/A	N/A	Pending
15.	Unified traffic control for multi-camera systems (用於多攝像機系統的统一流量控制)	Invention	N/A	China	Black Sesame Shanghai	PRC	2022-1099-9088.7	N/A	N/A	Pending
16.	Specific super-resolution fusion polarization imaging system (具體超分辨率融合的偏振成像系統)	Invention	N/A	China	Black Sesame Wuhan	PRC	2022-1086-3882.9	N/A	N/A	Pending
17.	Cache-based warping engine (基於高速緩存的扭曲引擎)	Invention	N/A	China	Black Sesame Wuhan	PRC	2022-1086-3872.5	N/A	N/A	Pending
18.	Image compression methods, image decompression methods and electronic devices (圖像壓縮方法、圖像解壓縮方法和電子設備)	Invention	N/A	China	Black Sesame Wuhan	PRC	2022-1073-5115.X	N/A	N/A	Pending
19.	Approach to mixed-lane modeling (混合車道建模的方法)	Invention	N/A	China	Black Sesame Wuhan	PRC	2022-1068-1653.5	N/A	N/A	Pending
20.	Multi-stage synthesis method for multi-frame equal-exposure images (多幀等曝光圖像的多階段合成方法)	Invention	N/A	China	Black Sesame Chongqing	PRC	2021-1109-5200.6	N/A	N/A	Pending
21.	Method for creating single re-exposure multi-frame image capture for HDR video (製作HDR視頻的單重曝光多幀圖像捕獲的方法)	Invention	N/A	China	Black Sesame Chongqing	PRC	2021-1089-3086.5	N/A	N/A	Pending
22.	Stereo vision using weakly aligned heterodyne cameras (利用弱對準的異構相機的立體視覺)	Invention	N/A	China	Black Sesame Shanghai	PRC	2021-1060-4282.6	February 9, 2024	May 31, 2041	Granted

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
23.	Integer-based fused convolutional layers in convolutional neural networks and fused convolution methods (卷積神經網絡中基於整數的融合卷積層以及融合卷積方法)	Invention	N/A	China	Black Sesame Shanghai	PRC	2021-1060-1650.1	N/A	N/A	Pending
24.	Multi-camera system with flash for depth map generation (用於深度圖生成的具有閃光燈的多相機系統)	Invention	N/A	China	Black Sesame Chongqing	PRC	2021-1057-2369.X	August 8, 2023	May 25, 2041	Granted
25.	Camera external reference calibration method, system and surround view system for vehicle surround view system (車輛環視系統的相機外參標定方法、系統及環視系統)	Invention	N/A	China	Black Sesame Shanghai	PRC	2021-1034-9097.7	N/A	N/A	Pending
26.	A communication method for direct function calls between processes (一種進程間直接函數調用的通信方法)	Invention	N/A	China	Black Sesame Shanghai	PRC	2021-1031-0010.5	April 16, 2024	March 23, 2041	Granted
27.	Anomaly detection method and system for image processing circuits (用於圖像處理電路的異常檢測方法及系統)	Invention	N/A	China	Black Sesame Shanghai	PRC	2021-1024-1971.5	May 17, 2024	March 3, 2041	Granted
28.	Road slope prediction method, device and storage medium (道路坡度預測方法、裝置和存儲介質)	Invention	N/A	China	Black Sesame Chongqing	PRC	2021-1016-8440.8	July 4, 2023	February 7, 2041	Granted
29.	Partial frame sensing method (部分幀感知方法)	Invention	N/A	China	Black Sesame Shanghai	PRC	2020-1141-2353.4	N/A	N/A	Pending
30.	Systems and methods for parking space detection and tracking (用於停車位檢測和跟蹤的系統和方法)	Invention	N/A	China	Black Sesame Chongqing	PRC	2020-1050-3712.0	February 23, 2024	June 5, 2040	Granted

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
31.	Methods for adaptive quantization of convolutional neural networks (用於卷積神經網絡的自適應量化的方法)	Invention	N/A	China	Black Sesame	PRC	2020-1027-8258.3	N/A	N/A	Pending
32.	Methods for pruning convolutional neural networks (修剪卷積神經網絡的方法)	Invention	N/A	China	Black Sesame	PRC	2020-1027-4418.7	January 9, 2024	April 9, 2040	Granted
33.	Sensor data transmission method and device, storage medium and terminal for autonomous driving (用於自動駕駛的傳感器數據傳輸方法及裝置、存儲介質、終端)	Invention	N/A	China	Black Sesame	PRC	2024-1017-6390.1	N/A	N/A	Pending
34.	Camera calibration method and device, computer-readable storage medium and terminal (相機標定方法及裝置、計算機可讀存儲介質、終端)	Invention	N/A	China	Black Sesame	PRC	2023-1053-9883.2	N/A	N/A	Pending
35.	Reducing global motion and rolling shutter in a dual camera system	Invention	N/A	United States	Black Sesame	United States	US 11425304 B1	August 23, 2022	December 6, 2041	Granted
36.	Adaptive quantization and mixed precision in a network	Invention	N/A	United States	Black Sesame	United States	US 11507823 B2	November 22, 2022	September 22, 2041	Granted
37.	Unified Flow Control for Multi-Camera System	Invention	N/A	United States	Black Sesame	United States	US 11516439 B1	November 29, 2022	August 30, 2041	Granted
38.	Multiple frame defect pixel detection and correction	Invention	N/A	United States	Black Sesame	United States	US 11509845 B2	November 22, 2022	August 3, 2041	Granted
39.	Two-stage method to merge burst image frames	Invention	N/A	United States	Black Sesame	United States	US 11223780 B1	January 11, 2022	October 23, 2040	Granted
40.	Stereo vision with weakly aligned heterogeneous cameras	Invention	N/A	United States	Black Sesame	United States	US 11490064 B2	November 1, 2022	July 20, 2040	Granted
41.	Stereo vision with weakly aligned heterogeneous cameras	Invention	N/A	United States	Black Sesame	United States	US 11122248 B1	September 14, 2021	July 20, 2040	Granted
42.	Dual camera calibration	Invention	N/A	United States	Black Sesame	United States	US 11050999 B1	June 29, 2021	May 26, 2040	Granted
43.	Dual camera calibration	Invention	N/A	United States	Black Sesame	United States	US 11043007 B1	June 22, 2021	May 26, 2040	Granted

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
44.	In-line and offline staggered bandwidth efficient image signal processing	Invention	N/A	United States	Black Sesame US	United States	US 11315209 B2	April 26, 2022	May 8, 2040	Granted
45.	Partial frame perception	Invention	N/A	United States	Black Sesame US	United States	US 11281915 B2	March 22, 2022	December 10, 2039	Granted
46.	Distant on-road object detection	Invention	N/A	United States	Black Sesame US	United States	US 10943132 B2	March 9, 2021	August 16, 2039	Granted
47.	Real-time robust surround view parking space detection and tracking	Invention	N/A	United States	Black Sesame US	United States	US 10867192 B1	December 15, 2020	August 6, 2039	Granted
48.	Method of structured network pruning and sparsity speed-up	Invention	N/A	United States	Black Sesame US	United States	US11625607B2	April 11, 2023	April 12, 2039	Granted
49.	Method of measuring light using dual cameras	Invention	N/A	United States	Black Sesame US	United States	US 10609299 B1	March 31, 2020	January 22, 2039	Granted
50.	Dual camera calibration	Invention	N/A	United States	Black Sesame US	United States	US 10609360 B2	March 31, 2020	January 10, 2039	Granted
51.	Model-based method for 360 degree surround view using cameras and radars mounted around a vehicle	Invention	N/A	United States	Black Sesame US	United States	US 10864860 B2	December 15, 2020	September 10, 2038	Granted
52.	Dual camera system for real-time depth map generation	Invention	N/A	United States	Black Sesame US	United States	US 10375378 B2	August 6, 2019	June 15, 2038	Granted
53.	Camera external parameter calibration method and system for vehicle panoramic system, and panoramic system	Invention	N/A	United States	Black Sesame US	United States	17703509	N/A	N/A	Pending
54.	Inter-process communication method and apparatus, computer device and computer-readable medium	Invention	N/A	United States	Black Sesame US	United States	17702419	N/A	N/A	Pending
55.	Anomaly detection method and system for image signal processor	Invention	N/A	United States	Black Sesame US	United States	17686168	N/A	N/A	Pending
56.	External parameter calibration method, device and system for image acquisition apparatus	Invention	N/A	United States	Black Sesame US	United States	US12020456B2	June 25, 2024	February 23, 2043	Granted

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
57.	Method, device and storage medium for road slope predicating	Invention	N/A	United States	Black Sesame US	United States	17543978	N/A	N/A	Pending
58.	Cache-based warp engine	Invention	N/A	United States	Black Sesame US	United States	17381873	N/A	N/A	Pending
59.	Unprocessed image coding and decoding	Invention	N/A	United States	Black Sesame US	United States	17355842	N/A	N/A	Pending
60.	Hybrid lane model	Invention	N/A	United States	Black Sesame US	United States	US11972617B2	April 30, 2024	June 16, 2041	Granted
61.	Neural network based auto-white-balancing	Invention	N/A	United States	Black Sesame US	United States	US11606544B2	March 14, 2023	October 19, 2041	Granted
62.	Generating high dynamic range video using low dynamic range image sensor	Invention	N/A	United States	Black Sesame US	United States	US11778335B2	October 3, 2023	May 16, 2041	Granted
63.	Flash array for portable camera system	Invention	N/A	United States	Black Sesame US	United States	US11622066B2	April 4, 2023	October 23, 2040	Granted
64.	Integer-based fused convolutional layer in a convolutional neural network	Invention	N/A	United States	Black Sesame US	United States	17068263	N/A	N/A	Pending
65.	Multiple camera system with flash for depth map generation	Invention	N/A	United States	Black Sesame US	United States	US11657529B2	May 23, 2023	January 20, 2042	Granted
66.	Multi-sensor fusion integrated development platform (server side) (多傳感器融合集成開發平台(服務端))	N/A	V1.0.0	China	Black Sesame Chengdu	PRC	2022SR1572442	December 15, 2022	N/A	Approved
67.	adsp code generation tool software (adsp代碼生成工具軟件)	N/A	V1.0	China	Black Sesame Chengdu	PRC	2022SR1557979	November 22, 2022	N/A	Approved
68.	QT-based multi-camera joint calibration tool (基於QT的多相機聯合標定工具)	N/A	V1.0	China	Black Sesame Chengdu	PRC	2021SR1812188	November 19, 2021	N/A	Approved
69.	CloudDevice Management System (CloudDevice 雲設備管理系統)	N/A	V1.0	China	Black Sesame Wuhan	PRC	2021SR1709679	November 11, 2021	N/A	Approved
70.	gitbook tool green oneclick toolkit software (gitbook tool 綠色一鍵工具包軟件)	N/A	V1.0	China	Black Sesame Wuhan	PRC	2021SR1709676	November 11, 2021	N/A	Approved

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No.	Name of patent/ software copyright	Type	Version	Covered region	Registered owner	Place of registration	Application/ patent/ certificate registration number	Date of Grant	Expiry date	Status
71.	BST Visual Calibration Tool (BST視覺標定工具軟件)	N/A	V1.0	China	Black Sesame	PRC	2019SR1317696	December 9, 2019	N/A	Approved
72.	BST Image Annotation software (BST Image Annotation 圖像 標注軟件)	N/A	V1.0	China	Black Sesame	PRC	2019SR0550910	May 31, 2019	N/A	Approved
73.	adsp topological analysis tool software (adsp拓補分析工具軟 件)	N/A	V1.0	China	Black Sesame	PRC	2023SR0886039	August 2, 2023	N/A	Approved
74.	Algorithmic C reference model	N/A	N/A	United States	Company	United States	TX 8-822-746	December 5, 2019	N/A	Approved

Regarding the tenure of our intellectual properties: (i) for patents, according to the Patent Law of the PRC, the validity period of an invention patent is 20 years from the filing date. The filing dates of our issued patents in China are mainly within 2017 to 2022, so our patents are expected to remain valid for a long period, and the expiration dates are mainly within 2037 to 2042; and (ii) for copyright, according to the Copyright Law of the PRC, software copyrights are valid for 50 years from the date of completion of the work created by a legal person. The completion dates of our software are mainly within 2018 to 2022, therefore our software copyrights are expected to remain valid for a long period, and the expiration dates are mainly within 2068 to 2072.

Regarding the payment obligations in relation to our intellectual properties: (i) for issued invention patents, we are mainly required to pay the annual patent fee to competent authorities. We have kept track of the payment requirements for annual fees and made payment accordingly. Up to the Latest Practicable Date, all the due annual fees for the issued patents are paid and the issued patents are valid according to our PRC Legal Advisor; and (ii) for pending patents, we are mainly required to pay the application fee, the substantive examination fee and the re-examination fee, depending on the examination progress, and we made the payment as required by the competent authorities as of the Latest Practicable Date. As the intellectual properties for each of our Specialist Technology Products are all self-developed, and have not been licensed or transferred from third parties, so there are no corresponding license or transfer fees that we are obligated to pay.

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Some of our patent or software copyright applications filed in 2020, 2021 and 2022 are still pending for approval. According to the Patent Law of the PRC, the examination of an invention patent application includes five stages: acceptance, preliminary examination, publication, substantive examination and authorization. At present, certain invention patents are still at the substantive examination stage. According to our PRC Legal Advisor, the substantive examination stage of invention patents generally takes six to 18 months. Therefore, the examination cycle for invention patents is generally two to three years. According to the Copyright Law of the PRC, software copyrights are automatically acquired from the date of completion of the work. Therefore, none of our software copyrights is pending approval. In summary, our PRC Legal Advisor confirms that there were not any legal or regulatory procedural impediments for us to obtain the approval of the pending patents/software copyright applications as of the Latest Practicable Date.

The term of an individual patent may vary based on the countries/regions in which it is granted. In China and most other countries and regions in which we file patent applications, the term of an issued patent for invention is generally 20 years from the filing date of the earliest non-provisional patent application on which the patent is based in the applicable country. The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our owned pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of designing the same.

We may rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, advisors and contractors. We have entered into agreements with confidentiality and non-competition clauses with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ our employees, contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

These agreements may not provide sufficient protection of our trade secret and/or confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secret and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secret and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

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We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See “Risk Factors – Risks Relating to Our General Operations – Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.”

We also own a number of registered trademarks and pending trademark applications. As of the Latest Practicable Date, we had registered trademarks for our Company and our corporate logo in China and other jurisdictions and are seeking trademark protection for our Company and our corporate logo in other jurisdictions where available and appropriate.

We have formulated our intellectual property management protocols and entered into proprietary information and inventions agreement with employees to clearly define the scope of intellectual property rights, clarify the ownership of intellectual property rights and determine the confidentiality obligations of employees. We set up detailed intellectual property procedure guidelines, including scope and application procedures of intellectual property, to largely protect our intellectual property rights. The intellectual property committees review the inventions of employees to determine which inventions should be filed as patents or software copyright, or which should be kept as trade secrets. In addition, we provide incentives for employees to disclose their inventions to encourage internal research and development. The confidential clauses are required for employees to sign to avoid core invention or technologies disclosure.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material legal, arbitral or administrative proceedings or claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent. Our Directors confirm that they are not aware of any legal, arbitral or administrative proceedings of infringement of any third parties’ intellectual property rights by us as of the Latest Practicable Date. For details, see “Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights” in Appendix IV to this Prospectus. For risks related to intellectual property rights, see “Risk Factors – Risks Relating to Our Intellectual Property Rights.”

SALES AND MARKETING

Our Sales Network

We sell our products and solutions primarily through our direct sales team. Through direct sales, we can understand customers’ technology and business development plan firsthand, propose technical solutions and product selection, and help customers solve problems efficiently. Our sales team is able to deliver value with an in-depth understanding of our customers’ businesses and industries.

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Our sales efforts are centered on the needs of our customers. We leverage on the collaborations among our sales team, automotive OEMs and Tier 1 suppliers to identify customers' needs. Our sales teams also work closely with our product marketing team and R&D team to propose suitable products and solutions to address the pain points faced by potential customers in the relevant industries.

As of March 31, 2024, our sales team consisted of 38 employees with extensive industry experience and in-depth expertise of our products and solutions. We have established sales offices in major cities in mainland China, including Shanghai, Shenzhen, Beijing, Wuhan and Chongqing. Through these sales offices, we have extended our reach to almost all of Mainland China.

Pricing

We price our products considering a variety of factors, such as product positioning, competitive landscape, spending patterns of target consumers and production costs. We have developed a standardized pricing reference for our sales team, with different pricing policies for (i) autonomous driving products and solutions, and (ii) intelligent imaging solutions. Specifically:

Autonomous Driving Products and Solutions. Our pricing for autonomous driving products and solutions depends mostly on customer demand for projects, taking into consideration comprehensive factors including resource investment, costs, gross margin and market conditions. We could adjust the final pricing based on the specific client on a case-by-case basis. We do not expect the sale of A1000 Pro (subject to confirmation of customer order) to impact our future pricing strategy for A1000 and A1000L, as A1000 Pro targets different customers and scenarios than A1000 and A1000L.

Intelligent Imaging Solutions. We mainly (i) license self-developed software and algorithms to customers from whom we charge licensing fees; and (ii) sell products such as camera compact modules with our proprietary algorithms embedded. We price our intelligent imaging solutions with reference to comparable products in the market.

Marketing

Our marketing department is responsible for enhancing our brand awareness and promoting our new and existing products and solutions. As we build a global brand associated with technology-driven innovation, we have employed a comprehensive marketing and branding strategy by utilizing various channels to reach potential customers, including in-person and online events, content marketing, partner marketing, developer outreach, search engine optimization, social media and public relations.

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We have a product exhibition hall set in Wuhan for suppliers and customers to access our products onsite. We hosted and participated in various offline and online events, such as Shanghai International Automobile Industry Exhibition, CES and live product launches or business updates through our public account on WeChat, Bilibili and Douyin. Such high-profile events allow us to demonstrate how autonomous driving solutions can empower the society. Through establishing exhibition booths at these regional and global events, our potential customers around the world may experience how we digitalize cities and industries with autonomous driving technologies.

In addition, we further enhance awareness of our brand and promote our new and existing products and services through online channels. Examples of such efforts include regular sharing on our social media platforms and interacting with developers.

CUSTOMERS

Our major customers are automotive OEMs and Tier 1 suppliers. The salient terms of our agreements with automotive OEMs or Tier 1 suppliers are set out below:

- ***Collaboration or supply arrangement:***
 - o ***Collaboration:*** We collaborate with automotive OEMs or Tier 1 suppliers to tailor intelligent vehicle SoCs or autonomous driving solutions for factory-installation on required vehicle models with adjustment based on specific customer demand such as the maximum number of sensors supported by SoCs and the complexity of algorithms provided. We generally enter into framework agreements with automotive OEMs for such collaboration. Automotive OEMs are generally obligated to procure our products or services if we have design wins from such customers and our tailored products or solutions successfully meet their requirements. We are mainly responsible for chip design and technological support. Automotive OEMs or Tier 1 suppliers are mainly responsible for hardware support and on-road testing.
 - o ***Supply.*** We supply products and services such as SoCs, autonomous driving solutions and FAD platform services to automotive OEMs or Tier 1 suppliers. We are responsible for timely delivery and quality assurance of our products or services. We typically offer a product warranty period of two years. Automotive OEMs or Tier 1 suppliers are responsible for timely payments.
- ***IP ownership under collaboration arrangement:*** Generally, automotive OEMs or Tier 1 suppliers are entitled to the ownership of intellectual property work or results derived from the cooperation between the parties, while each party shall own all intellectual property right created or conceived by such party solely in the performance of development activities.

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- **Minimum purchase commitment:** Under the framework collaboration agreements, generally there are no minimum purchase commitment from automotive OEMs or Tier 1 suppliers. Once our products or solutions designed or tailored under the framework agreements successfully meet the requirements of automotive OEMs or Tier 1 suppliers, they may provide design wins to us for ordering our products or solutions, typically with estimated number of products or solutions needed.
- **Payment term:** For supply agreements, automotive OEMs or Tier 1 suppliers generally pay us upon acceptance of our products or services. For collaboration arrangements, customers are typically required to make installment payments according to prescribed development or production milestones.
- **Term and Termination:** The term of framework collaboration agreements is generally five years and may be terminated upon mutual consent. The supply agreements are generally terminated upon fulfillment of parties' obligations.

Revenue generated from our largest customer in each year or period during the Track Record Period accounted for 40.7%, 43.5%, 15.2% and 47.7%, respectively, of our revenue for the respective year or period. Revenue generated from our five largest customers in each year or period during the Track Record Period accounted for 77.7%, 75.4%, 47.7% and 96.6%, respectively, of our revenue for the respective year or period.

The following tables set forth details about our five largest customers by sales amount for the respective year or period:

Year ended December 31, 2021

Customer	Products and Services Sold	Customer Background	Year of Commencing Business Relationship	Sales Amount RMB'000	% of Total Revenue	Year of Establishment	Typical Credit Terms	Listed Stock Exchange	Headquarter	Ownership
Customer A . . .	Autonomous driving products and solutions	A driving safety management solutions provider in China	2020	24,636	40.7%	2014	180 days	N/A	Zhejiang	Private
Wingtech Technology Group . . .	Intelligent imaging solutions	A consumer electronics manufacturer in China	2019	7,704	12.7%	2006	30 days	Shanghai Stock Exchange	Hubei	Public
Customer B . . .	Intelligent imaging solutions	A mobile telecommunication service provider in China	2021	6,878	11.4%	1999	180 days	Hong Kong Stock Exchange (as subsidiary)	Shandong	State-owned; Public

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Customer	Products and Services Sold	Customer Background	Year of Commencing Business Relationship	Sales Amount RMB'000	% of Total Revenue	Year of Establishment	Typical Credit Terms	Listed Stock Exchange	Headquarter	Ownership
Customer C . . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2020	4,245	7.0%	2017	3 days	N/A	Guangdong	Private
Customer D . . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2021	3,587	5.9%	2013	60 days	N/A	Shanghai	Private
Total				<u>47,050</u>	<u>77.7%</u>					

Year ended December 31, 2022

Customer	Products and Services Sold	Customer Background	Year of Commencing Business Relationship	Sales Amount RMB'000	% of Total Revenue	Year of Establishment	Typical Credit Terms	Listed Stock Exchange	Headquarter	Ownership
Customer A . . .	Autonomous driving products and solutions	A driving safety management solutions provider in China	2020	71,988	43.5%	2014	180 days	N/A	Zhejiang	Private
Customer D . . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2021	16,725	10.1%	2013	60 days	N/A	Shanghai	Private
Shanghai Baolong Group . . .	Autonomous driving products and solutions	An automobile parts manufacturer in China	2021	15,933	9.6%	2018	270 days	Shanghai Stock Exchange (as subsidiary)	Anhui	Public
Customer E . . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2022	11,664	7.1%	2017	30 days	N/A	Guangdong	Private
Wingtech Technology Group . . .	Intelligent imaging solutions	A consumer electronics manufacturer in China	2019	8,378	5.1%	2006	30 days	Shanghai Stock Exchange	Hubei	Public
Total				<u>124,688</u>	<u>75.4%</u>					

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Year ended December 31, 2023

Customer	Products and Services Sold	Customer Background	Year of Commencing Business Relationship	Sales Amount <i>RMB'000</i>	% of Total Revenue	Year of Establishment	Typical Credit Terms	Listed Stock Exchange	Headquarter	Ownership
Customer F . .	Autonomous driving products and solutions	A smart transportation solutions provider in China	2023	47,397	15.2%	2010	60 days	N/A	Guangdong	Private
Customer D . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2021	33,354	10.7%	2013	60 days	N/A	Shanghai	Private
Customer G . .	Autonomous driving products and solutions	An autonomous driving solutions provider in China	2022	30,655	9.8%	1992	90 days	N/A	Hubei	Private
Customer H . .	Autonomous driving products and solutions	An autonomous driving solutions provider in China	2021	19,351	6.2%	2020	90 days	N/A	Guangdong	Private
Customer I . .	Autonomous driving products and solutions	A smart transportation solutions provider in China	2022	18,129	5.8%	2016	10 days	N/A	Hubei	Private
Total				<u>148,886</u>	<u>47.7%</u>					

Three months ended March 31, 2024

Customer	Products and Services Sold	Customer Background	Year of Commencing Business Relationship	Sales Amount <i>RMB'000</i>	% of Total Revenue	Year of Establishment	Typical Credit Terms	Listed Stock Exchange	Headquarter	Ownership
Customer J . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2023	13,097	47.7%	2023	15 days	N/A	Guangdong	Private
Customer F . .	Autonomous driving products and solutions	A smart transportation solutions provider in China	2023	7,258	26.4%	2010	60 days	N/A	Guangdong	Private
Customer K . .	Intelligent Imaging solutions	A consumer electronics manufacturer in the U.S.	2018	3,322	12.1%	1984	75 days	Hong Kong Stock Exchange	Beijing	Public
Customer L . .	Autonomous driving products and solutions	An electronic products and solutions provider in China	2023	2,229	8.1%	1995	30 days	Taiwan Stock Exchange (as subsidiary)	Shanghai	Public
Customer D . .	Autonomous driving products and solutions	A driving assistance system solutions provider in China	2021	644	2.3%	2013	60 days	N/A	Shanghai	Private
Total				<u>26,550</u>	<u>96.6%</u>					

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Notes:

- 1 Customer A is a driving safety platform provider focusing on the research, development, application and promotion of safe driving hardware and data service products. It mainly provides advanced emergency braking system, blind spot active safety system and driver monitoring system.
- 2 Customer B is a subsidiary of a major Chinese mobile network operator providing mobile voice and multimedia services through its nationwide mobile telecommunications network across mainland China and Hong Kong.
- 3 Customer C is an advanced driver-assistance system provider focusing on the development of proprietary ADAS with driver monitoring system at its core, providing domestic and overseas users with ADAS solutions.
- 4 Customer D is a high-tech enterprise focusing on the R&D and manufacturing of data platforms, intelligent algorithms and intelligent device terminals, providing intelligent solutions for vehicles, travelling and outdoor application scenarios with services covering data management platforms, scenario-based algorithms and data analysis.
- 5 Customer E is an advanced driver-assistance system and product developer focusing on the provision of comprehensive automotive electronics solutions and services to domestic and overseas OEMs.
- 6 Customer F is a manufacturer for CCTV closed-circuit television monitoring series products, covering product development, design, sales and technology services.
- 7 Customer G is a comprehensive automobile industry group focusing on automobile parts manufacturing, automobile sales and services, trade agency and project investment.
- 8 Customer H is an automobile parts manufacturer that develops and sells communication equipment, electronic products, computers, software and auxiliary equipment, automotive information and automotive safety systems and components, driver-assistance safety systems and components, sensor series, cockpit modules, in-vehicle application software, and automotive electronic products and components.
- 9 Customer I is a high-precision map service provider focusing on construction of high-precision maps, positioning and cloud services such as data mining and dynamic updating for individuals, automobile OEMs, industrial users and governmental agencies.
- 10 Customer J is an autonomous technology provider focusing on the provision of intelligent special purpose vehicles with autonomous driving systems.
- 11 Customer K is a global technology powerhouse focusing on the provision of information technology offerings primarily including personal computers, server, storage, mobile, software and solutions.
- 12 Customer L is an electronic products and solutions provider focusing on the provision of semiconductor integrated circuits and single-chip microcomputers.

We had extensive collaboration with Customer A during the Track Record Period. We provide Customer A with our autonomous driving products and solutions, including Huashan Series SoCs and Patronus. Our sales amount from Customer A was RMB24.6 million and RMB72.0 million in 2021 and 2022, respectively, accounting for 40.7% and 43.5% of our total revenue for the respective year. The significant decrease in sales to Customer A in the year ended December 31, 2023 was mainly due to (i) our upgrade of existing autonomous driving solutions resulting in a transition period that requires further upgrade and adjustment of customer's own platform; and (ii) downstream customers of Customer A in the commercial vehicle area experienced hardship in operations and liquidity, resulting in reduced procurement from Customer A which in turn affects our sales to Customer A. Our Directors confirm that all of our sales to Customer A were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Our Directors are of the view that our customer concentration during the Track Record Period is mainly due to our early commercialization stage, and we expect to develop a more diverse customer base as we enhance our commercialization efforts with more product lines and upgraded solutions. For example, we had design wins for mass production of SoC products for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers as of the Latest Practicable Date. In addition, Geely's vehicle Lynk & Co 08 with our Huashan A1000 SoC installed was mass produced, and Lynk & Co 08 was officially launched in early September 2023. Also, for autonomous driving solutions, we have cooperated with new customers for V2X strategic cooperation, and robotics companies and advanced solution companies in the industry for SOM commercialization. See "– Path to Profitability" for more details of our commercialization efforts. With increasingly diversified products and solutions, we are well-poised to attract more customers and lower our customer concentration risk.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest clients.

SUPPLIERS

We typically engage reputable supplier vendors to ensure the quality of our products. The factors that may affect our selection mainly include technological expertise, product quality, qualifications and credentials, market reputation and price. We generally enter into framework agreements with our vendors, which set forth the general terms and conditions of purchase.

Raw Materials and Components

We procure wafers and substrates as raw materials for our SoC hardware components. We also procure electronic components for our solutions offered based on customer demand.

Suppliers of Software

We outsource the development of certain software modules to optimize our use of resources, so we can focus on our core products and services. We typically purchase software that is widely used in the industry and has a user-friendly interface to supplement our intelligent products and solutions. We select software suppliers based on their industry-specific expertise, reputation and their technical capabilities and reliability.

We typically enter into software license procurement agreements with suppliers. We usually pay the fixed subscription fee as set forth in the contract in stages, and are generally entitled to provide the access to software to our customers as end-users. We are responsible for providing after-sale services, and the suppliers shall provide us with necessary technical support and technical services related to the licensed software as well as provide necessary training to our relevant personnel.

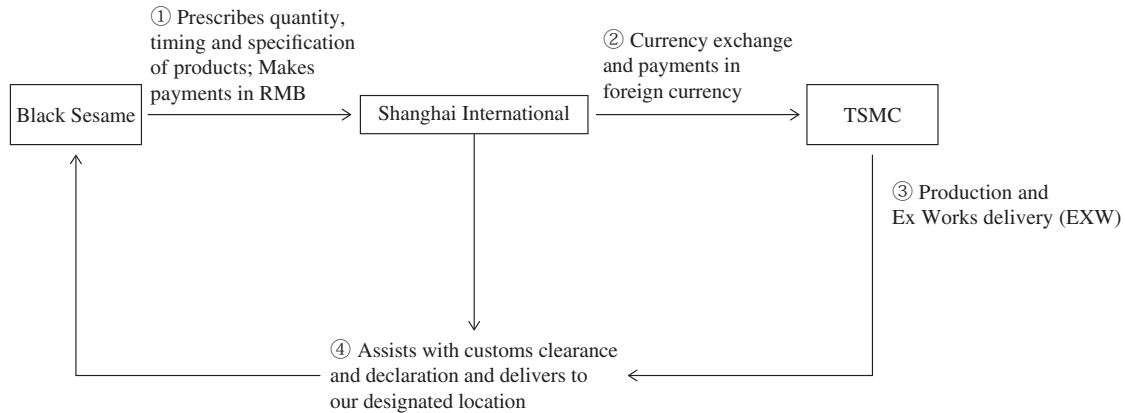
Contract Manufacturers

As we operate on a fabless basis, we do not maintain manufacturing facilities or develop manufacturing capacity by ourselves. We currently engage TSMC to manufacture all of our SoCs. See “Risk Factors – Risks Relating to the Manufacturing of Our Products – We depend on TSMC to manufacture our SoCs.” We purchase raw materials and services from TSMC primarily through our import agent Shanghai International Science and Technology Corp., Ltd during the Track Record Period, with certain R&D related procurement, including tape out and sample production services directly from TSMC in Q4 2023. See “– Our Major Suppliers.” We recently started direct procurement from TSMC as we announced and launched our Wudang C1200 SoC in 2023 which employs a 7nm FFC automotive process, and we believe we could fully utilize TSMC’s experience in the field of advanced process and corresponding production capability through direct cooperation for us to complete the tape out and sample production swiftly without delay to the market. Though we do not have any supply commitment from TSMC directly or indirectly, there was no indications that our cooperation with TSMC might be disrupted as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, TSMC did not express any intention to terminate their contract with us or not to renew it. We understand that according to Frost & Sullivan, there are alternative manufacturers with the technical knowledge to produce products as currently supplied by TSMC with certain variations in prices and specifications to achieve similar functions under reasonable commercial terms, and we believe we are able to find alternative provider even if we terminate our collaboration with TSMC.

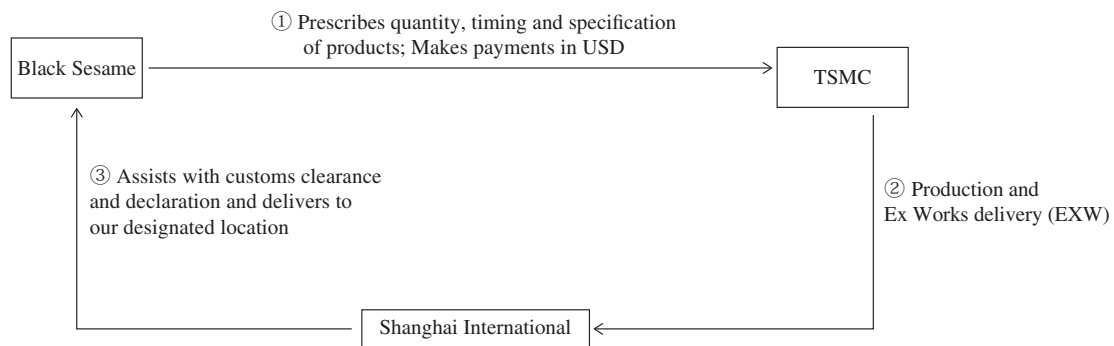
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The following diagrams illustrate the indirect and direct ordering arrangement between TSMC, Shanghai International and us during the Track Record Period, respectively.

Indirect ordering arrangement



Direct ordering arrangement



The key aspects of our relationship with Shanghai International are as follows:

- Shanghai International has been one of the long-term authorized importers of TSMC products, and according to Frost & Sullivan, it is a common practice in the industry for buyers to make payments and procure products and services through such importers.
- According to our agreement with Shanghai International,
 - o Shanghai International is responsible for delivering certain TSMC-manufactured products after customs clearance and declaration to our designated place against our prepayment of the purchase price based on the quantity, timing and specifications we prescribe (separately and simultaneously, we accept the pricing by confirming the fee quotes provided by TSMC for certain products of our choice). Shanghai International bears the risk

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associated with such delivery such as damages, loss and delay. In the event of delay, Shanghai International shall be liable for a liquidated damage of up to 5% of the total order value.

- o Shanghai International is responsible for payments to TSMC under the indirect ordering arrangement.

Starting in January 2024, we have converted to the direct ordering arrangement for the mass production of A1000 Series SoC, and expect to do so for the C1200 SoC when it enters mass production stage, as TSMC and us have benefited from our direct cooperation for tape out and sample production of C1200 SoC which enhanced our relationship, and therefore we have decided to form direct relationship with TSMC for the mass production of both Huashan A1000 Series SoC and Wudang C1200 SoC going forward.

We have maintained our relationship with Shanghai International as Shanghai International continues to assist with the customs clearance and declaration and delivery under the direct ordering arrangement, and there had not been any material adverse change in our relationship with Shanghai International.

We also engage contract manufacturers to produce our devices such as driver fatigue alert system, in order to focus our resources on technology innovation, product design, sales and customer support. We choose our contract manufacturers based on a variety of factors, including R&D capabilities, product quality, manufacturing capabilities, history of cooperation and price.

Below are salient terms of our agreements with contract manufacturers:

- ***Scope of supply:*** Contract manufacturers primarily supply wafer products and technical services to us.
- ***Term and Termination:*** We usually enter into framework agreements with contract manufacturers with a term of one year, which can be automatically extended for another one year without notification of termination. The framework agreements set out the general terms and conditions of cooperation. We then separate purchase orders which are generally terminated upon mutual consent.
- ***Principal rights and obligations of parties involved:*** Contract manufacturers are responsible for timely delivery and quality assurance of products or services. Our contract manufacturers must meet our specified quality requirements and are responsible for liabilities resulting from product defects. Contract manufacturers typically offer us a warranty period of one year from delivery dates for wafer products. We are responsible for import approvals and taxes as well as timely payments.

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- **Pricing and payment term:** We generally pay in advance for our purchases from contract manufacturers. The price of each purchase order depends on factors such as the type of products or services supplied, quantity, quality requirements and delivery requirements.

Below are salient terms of our agreements with import agents:

- **Principal rights and obligations of parties involved:** We order from contract manufacturers directly and we engage import agents that are responsible for import-related procedures such as import approvals and taxes, custom clearance and declaration, as well as transportation related work. Import agents generally pay for us to suppliers for our orders made with suppliers. We are responsible for timely payments to import agents.
- **Pricing and payment term:** We generally pay import agents (i) the procurement fee that needs to be paid to suppliers such as contract manufacturers, (ii) import procedure related fees such as taxes, and (iii) the agency service fee, which is generally at a fixed ratio to the procurement fee to suppliers such as contract manufacturers. We generally pay in advance to import agents.
- **Termination:** The agreements are generally terminated upon fulfillment of parties' obligations.

As of the Latest Practicable Date, the arrangements with our contract manufacturers and import agents were not subject to any import or export restrictions. K&L Gates, our legal advisors as to U.S. export control laws, confirmed that during the Track Record Period, the arrangements between the Group, Shanghai International and TSMC are not materially impacted by any U.S. export restrictions currently in effect. No violations of U.S. export control laws have been identified with respect to these transactions. The Company's sales transactions with Shanghai International and TSMC were not significantly impacted by the new U.S. export control restrictions, since the restrictions are broadly inapplicable to the products involved. See “– Legal Proceedings and Compliance – U.S. Export Control Laws and Regulations.” As advised by our legal advisors as to U.S. export control laws, our Directors are of the view that during the Track Record Period, the arrangements between the Group, Shanghai International and TSMC did not violate any applicable U.S. export control laws. As advised by our PRC Legal Advisor, our Directors are of the view that during the Track Record Period and as of the Latest Practicable Date, the arrangements between the Group, Shanghai International and TSMC did not violate applicable PRC laws in any material aspect. Based on the opinion from the Company's PRC Legal Advisor and its legal advisors as to U.S. export control laws and the analysis in the section headed “– Legal Proceedings and Compliance – U.S. Export Control Laws and Regulations,” nothing has come to the attention of the Joint Sponsors that would cause them to cast reasonable doubt on the views of the Directors above.

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Our Major Suppliers

Our major suppliers are tapeout and technical services, IP core and hardware components providers. Charges from our largest supplier in each year or period during the Track Record Period accounted for 28.7%, 18.1%, 10.8% and 16.7%, respectively, of our total purchase amount for the respective year or period. Charges from our five largest suppliers in each year or period during the Track Record Period accounted for 68.2%, 50.9%, 43.4% and 58.8%, respectively, of our total purchase amount for the respective year or period.

The following tables set forth details about our five largest suppliers by purchase amount for the respective year or period:

Year ended December 31, 2021

Supplier	Products and Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount <i>RMB'000</i>	% of Total Purchase
Shanghai International Science and Technology Corp., Ltd ¹	IP core and technical services	An import and export services agent in China	2018	99,566	28.7%
Supplier A	IP core	An IP core provider in China	2021	86,586	25.0%
Supplier B	ADAS components (main frame, camera, antenna, wiring harness)	An original equipment manufacturer in China	2020	19,823	5.7%
Supplier C	IP core	An IP core provider in China	2021	16,250	4.7%
Supplier D	IP	A technical solutions provider in China	2020	14,205	4.1%
Total				<u><u>236,430</u></u>	<u><u>68.2%</u></u>

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Year ended December 31, 2022

Supplier	Products and Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount <i>RMB'000</i>	% of Total Purchase
Shanghai International Science and Technology Corp., Ltd ¹	IP core and wafer	An import and export services agent in China	2018	59,306	18.1%
Supplier E	Packaging and testing services	A packaging and testing services provider in China	2022	41,812	12.8%
Supplier F	ADAS components (vehicle camera compact modules)	An electronic devices provider in China	2021	26,394	8.1%
Supplier G	ADAS components (cloud controllers)	An original equipment manufacturer in China	2020	19,832	6.1%
Supplier B	ADAS components (main frame, camera, antenna, wiring harness)	An original equipment manufacturer in China	2020	18,926	5.8%
Total				<u>166,270</u>	<u>50.9%</u>

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Year ended December 31, 2023

Supplier	Products and Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount RMB'000	% of Total Purchase
TSMC	Wafer and technical service	An IC manufacturing service provider in Taiwan, China	2023	68,572	10.8%
Shanghai International Science and Technology Corp., Ltd ¹	Wafer and technical service	An import and export services agent in China	2018	65,882	10.4%
Supplier E	Packaging and testing services	A packaging and testing services provider in China	2022	51,645	8.1%
Supplier H	IP core	An IP core and technical service provider in China	2022	47,938	7.6%
Supplier I	Network-traffic-camera components (camera compact modules, power packs)	An original equipment manufacturer (OEM) in China	2023	41,215	6.5%
Total				275,252	43.4%

Three months ended March 31, 2024

Supplier	Products and Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount RMB'000	% of Total Purchase
Supplier E	Packaging and testing services	A packaging and testing services provider in China	2022	18,950	16.7%
Supplier J	Technical services	A technical solutions provider in China	2023	14,906	13.2%
Supplier H	IP core	An IP core and technical service provider in China	2022	14,151	12.5%
Supplier K	Technical services	A technical services provider in China	2022	12,260	10.8%
Supplier I	Network-traffic-camera components (camera compact modules, power packs)	An original equipment manufacturer (OEM) in China	2023	6,311	5.6%
Total				66,578	58.8%

Note:

1 Shanghai International Science and Technology Corp., Ltd served as our import agent. Our major imports through Shanghai International Science and Technology Corp., Ltd (i) in 2021 included purchase of IP core from an IP core and technical service provider amounting to RMB75,441,000 and purchase of technical services from TSMC amounting to RMB17,598,000, accounting for 75.8% and 17.7% of our total purchases through Shanghai International Science and Technology Corp., Ltd, respectively; (ii) in 2022 included purchase of wafer from TSMC amounting to RMB38,517,000, purchase of IP core from an IP core provider amounting to RMB13,325,000 and purchase of IP core from an IP core and technical service provider amounting to RMB5,441,000, accounting for 64.9%, 22.5% and 9.2% of our total purchases through Shanghai International Science and Technology Corp., Ltd, respectively; and (iii) in 2023 mainly included purchase of wafer from TSMC amounting to RMB46,875,000 and purchase of technical services from an IP core and technical service provider amounting to RMB8,678,000, accounting for 71.1% and 13.2% of our total purchases through Shanghai International Science and Technology Corp., Ltd in 2023, respectively.

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As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics

Our hardware products are typically delivered directly from our vendor warehouses to the venue specified by our customers. We also engage reputable third-party logistics service providers for delivery to our customers. To the best of our knowledge, such logistics service providers are Independent Third Parties.

Inventory Management

Our inventories mainly include raw materials, work in progress and finished goods. Our inventories amounted to RMB3.2 million, RMB72.8 million, RMB71.4 million and RMB81.8 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. All our products are sold on a first-in-first-out basis. We regularly track our inventory to keep it at a level sufficient to fulfill customers' orders. We also proactively assess changes in market conditions and pre-store strategic raw materials in anticipation of potential supply shortage. Our supply management team reviews our inventory aging reports routinely with the business operation team and takes necessary actions to minimize risks of obsolescence when required.

QUALITY CONTROL

We are committed to maintaining the highest level of quality in our products and solutions. We have designed and implemented a quality management system that provides the framework for continuous improvement of products and processes. We have also implemented a management review control process to conduct regular systematic reviews of our quality management system, in order to closely monitor the implementation of our quality management system.

R&D Activities

We develop our products and solutions in accordance with the requirements of relevant laws and regulations and industry practices as well as our internal quality control procedures. We conduct a series of rigorous evaluation and validation processes during the whole process of our R&D activities to ensure quality of our products and solutions. Specifically, (i) in the start-up phase, we hold meetings to know customer demands, and evaluate and review project viability; (ii) in the planning phase, we develop a detailed project plan and prepare project documents based on demands analysis; (iii) in the execution and monitoring phase, we implement our technical solutions, and test and validate the results; and (iv) in the closing phase, we summarize the lessons learned report.

Supply Chain Management

We have comprehensive policies and detailed procedures in place to ensure the quality of the components and raw materials we purchase from suppliers. When selecting and evaluating suppliers, we conduct due diligence and consider a number of factors, including, but not limited to, their reputations, credentials, experience, service or product availability, price and delivery time.

We require our suppliers to comply with our internal supply management policies. Our quality control development is responsible for communicating with suppliers regarding quality standards, and will thoroughly inspect product samples to ensure that they meet all the technical requirements set forth in our product designs. We may conduct regular or ad hoc on-site inspections of suppliers and require suppliers to timely remedy quality issues upon notice.

Product Returns and Recalls

We have developed a comprehensive non-conforming product control procedures to identify and control non-conforming products. We use a coordinated multi-departmental approach to deal with non-conforming products. Our quality control department, logistics department and technology department routinely follow up with after-sales service support through implementation of rectification measures and continued issue tracking, personnel training and process improvement. Our customer service managers of the quality control department are responsible for direct communication with customers and our product quality managers will assist with issue analysis. Our customer service managers will issue reports and follow up with relevant departments to implement rectification measures and make plans for further improvement. We believe this will effectively prevent non-conforming products from being used or delivered. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product returns or recalls.

COMPETITION

We mainly compete with three major types of autonomous driving SoC providers in the autonomous driving SoC market, namely specific autonomous driving SoC providers, general chip providers and automotive OEM self-developers.

- Specific autonomous driving SoC providers have a strong research focus on autonomous driving and possess comprehensive software and hardware development capabilities, allowing them to develop customized autonomous driving SoC-based solutions for various automotive OEMs. These providers primarily serve a diverse range of customers in the automotive sector. Their strengths lie in their high degree of specialization and economies of scale.

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- General chip providers develop and deliver a broader range of chips compared to specialized autonomous driving SoC providers. Their offerings encompass various automotive chips or other chips for different applications, such as robotics, computers, data centers, cellphones and manufacturing. Therefore, these providers' focuses are not solely for autonomous driving, which they have a broad customer base across multiple industries.
- Certain automotive OEMs also develop their in-house autonomous driving SoCs. This approach enables OEMs to fully customize the SoCs according to their specific needs. However, due to the high degree of customization and the competitive dynamics with other OEMs, these in-house developed SoCs are typically used solely in their own brand vehicles. As a result, they may face the risk of limited economies of scale.

EMPLOYEES

As of March 31, 2024, we had 1,052 full-time employees. The following table sets forth the number of our employees by function:

Employee Function	Number of employees	% of Total
Research and Development	908	86.3
Sales and Marketing	38	3.6
Administration	106	10.1
Total	1,052	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high quality talent pool is one of the core strengths of our company. We adopt high standards and strict procedures in our recruitment to ensure the quality of new hiring and use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy our demands for different types of talents.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans. We enter into employment contracts and agreements regarding confidentiality, intellectual property, and non-competition with our executive officers, managers, and employees. In addition, we usually enter into proprietary information and inventions agreement with our core employees, under which we have all right, title and interest relating to any and all inventions by such employee during the term of his/her employment with the Company. Further, when employees are hired, we give them an employee handbook, which informs them of our policies and their rights in all material respects, from recruitment, compliance, salary, benefits, performance assessment to training and development.

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To remain competitive in the labor market, we provide competitive salaries and various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge.

We believe we maintain a good working relationship with our employees and we have not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We have purchased product liability insurance and fire damage insurance. We do not maintain any keyman insurance. During the Track Record Period, we did not make any material insurance claims in relation to our business. See “Risk Factors – Risks Relating to Our General Operations – Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers which would affect our business, results of operations and financial condition” for further details. Our PRC Legal Advisor is of the view that if defect or malfunction of our products leads to any traffic accident or product recall, we might bear liabilities for tort and breach of contract together with automotive OEMs. Our product liability insurance generally covers our legal liability in respect of personal injury or property damage caused by accidents occurred directly in connection with products manufactured or supplied by us. According to Frost and Sullivan, the coverage of our product liability insurance is in line with the market practice.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Board of Directors is responsible for the oversight and management of key environmental, social and governance (ESG) risks, and the implementation of our ESG strategies is taken care by our specialized ESG working group under the Board of Directors office and relevant departments. We expect to hold ESG working group meetings every quarter for ESG publicity and issue our annual ESG comprehensive report starting from 2024. Our ESG working group monitors not only the effectiveness of our ESG strategy implementation, but also regulatory and industry ESG trends to ensure our ESG-related compliance. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had complied with all applicable PRC laws and regulations in relation to social, health, safety, and environmental matters in all material aspects, and we had not been subject to any fines or other penalties due to non-compliance with social, health, safety or environmental laws and regulations.

Sustainable Operation and Environmental Protection

We operate on a fables basis and do not maintain manufacturing facilities or develop manufacturing capacity by ourselves. We require our suppliers, as part of their contractual responsibilities, to ensure that the supplied raw materials and components are compliant with certain applicable safety, health and quality requirements and environmental instructions, such

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as (i) RoHS that sets restrictions on the use of hazardous substances in electrical and electronic equipment, (ii) HF that stands for the industry standard for halogen free, and (iii) REACH that sets restrictions on chemical use. As we do not operate any production facilities, we are not subject to significant health, work safety, social or environmental risks. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material health, work safety, social or environmental incidents. We have formulated the procurement management protocols, which stipulate the negotiation process, delivery, acceptance, payment and other processes of procurement, and require the procurement department to take environmental protection and sustainable development into consideration when compiling the list of qualified suppliers.

As a high-tech company, we encourage our employees to adopt sustainable practices in order to reduce our carbon footprint, including promoting energy-saving measures, encouraging online virtual office, reducing paper wastage and avoiding unnecessary travels. We decide to implement paperless policy and strive to reduce the paper consumption rate by 20%. We operate most of our businesses digitally and utilize cloud-based services to reduce consumption of paper in all the offices, in an effort to keep our carbon consumption low. For example, we arrange our office superintendents to inspect the building regularly and turn down the lights in empty rooms and urge the employees to turn off the computers before leaving office. In 2021, 2022, 2023 and the three months ended March 31, 2024, our water and electricity charges accounted for 1.1%, 1.2%, 0.9% and 3.1% of our total revenue for the respective periods. We expect to further enhance our sustainability in terms of water and power consumption in the future through improved R&D and SoC design process and promotion of sustainability awareness among employees. Besides, we expect to strengthen the environmental protection requirements in supplier agreement, and gradually add clauses of environmental protection to 80% of our contracts. We actively respond to any government requirements on waste sorting, recycling and waste reduction, in an effort to further lessen waste and environmental pollution. We endeavor to be environmentally friendly and maintain our clean record in terms of environmental issues.

As of the Latest Practicable Date, we have formulated relevant protocols to ensure that ESG provisions are traceable in the company, carried out ESG-related publicity on a daily basis and set up a complaint mailbox to ensure that problems can be solved in time.

Employee Care and Occupational Development

We are committed to cultivating a collaborative company culture underpinned by honesty, innovation and passion. We have strict policies on equal employment opportunities, prohibiting any form of discrimination based on race, color, belief, religion, gender, sexual orientation, among others. We do not recruit any child labor, and do not have forced and involuntary labor incidents. We desire to provide an inclusive workspace for all our employees. As of March 31, 2024, we had 14.5% overseas employees. We expect to recruit 20% more people with disabilities in 2024 as compared with as of December 31, 2023.

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We formulate recruitment management methods to examine candidates' communication and expression, problem-solving skills and other capabilities. Besides, we have a unified salary management system and employee internal transfer management methods to ensure the fairness of salary and promotion, and the salary and promotion decisions stipulated in the system are based on the employee's position and performance, rather than personal characteristics unrelated to work. As for compliance, we establish an effective complaint mechanism to ensure that employees can safely report improper behaviours such as conflicts of interest, harassment and retaliation, and take appropriate corrective measures. Last but not least, we provide training for all employees to ensure that employees can obtain equal opportunities for learning and career development.

We value the contribution of each employee in different roles and strive to provide a fair and balanced compensation scheme. We provide supplemental commercial medical insurance for our employees in addition to employee social security plans as required under the applicable PRC regulations. Together with our comprehensive benefits package, we encourage our employees to pursue a healthy work-life balance. We provide fitness facilities and regularly organize social and team-bonding activities to ensure a positive and cohesive work environment for all. In 2024, our welfare expenses for employees are expected to exceed RMB10 million to maintain the physical and mental health of employees.

We also provide our employees with a variety of training, and support their personal development based on their different career development stages. We encourage and sponsor our employees to further their education and obtain additional professional qualifications. For gender equality, we expect to hold an event on women's leadership, career advancement and workplace risk prevention once a quarter starting in 2024.

Corporate Governance

To ensure data security and avoid data leakage, we have established stringent internal protocols under which we have clear instructions on how to handle and store the different types of data that we receive. We categorize the operating, business and management data that we receive into varying levels of sensitivity. For confidential personal data, we grant classified access only to limited employees with strictly defined and layered access authority. We have also set up a firewall to segregate our core data and require strict access digital permission to access any core data throughout our entire operation. We strictly control and manage the use of data within our various departments and do not share any personal data with external third parties. We have measures in place to prevent staff from improperly using customer information.

We have issued anti-bribery and corruption protocols which set out the policies to prevent acts of bribery and corruption. The policies and procedures have been designed to comply with legislation governing bribery and corruption on a global basis, providing guidance on the standards of behaviour to which our staff must all follow and most of them reflect the common sense and good business practices that our staff all work to in any event to avoid bribery and corruption.

We have designed and adopted comprehensive measures to protect our intellectual property. We enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, certain consultants and advisors. They acknowledge that the intellectual property developed by them in connection with their employment or engagement with us, including our in-house developed content, is our property.

We have implemented internal control policies in relation to our business operations, including anti-bribery, anti-corruption and compliance, anti-money laundering, fraud, business conduct and ethics. We have established several layers of scrutiny, including establishing our internal audit department responsible for leading investigations and reporting cases to the audit committee, and assists with investigation and follow-ups on rectification and improvement measures.

Safety Design of Autonomous Driving Products and Solutions

We place great emphasis on the safety of autonomous driving vehicles using our SoCs and solutions. Our autonomous driving SoCs are designed and produced to comply with automotive-grade standards. Our products, as well as R&D process, passed various industry-recognized certifications and tests for safety and reliability. See “– Licenses, Approvals and Permits” for the main standards, certifications or requirements that we were compliant with as of the Latest Practicable Date.

We strive to ensure our automotive-grade SoCs are safely designed and verified. For the design, certification and implementation of functional safety, we have built a system covering the whole process of functional safety from demand planning, design and implementation to integration and verification, to ensure the entire product life cycle from hardware design to software development can meet the requirements of ISO 26262. All of our SoCs in mass production have passed the reliability design based on AEC-Q100 standard, including the key tests of accelerated environment stress, accelerated lifetime simulation, packaging and assembly, die fabrication and electrical verification, to ensure the longevity and reliability of our automotive-grade high computing SoCs.

The safety process built by us can achieve rapid implementation of the whole process from customer demand to final deployment, which ensures the quality and safety of the product for swift implementation and delivery of the project. Specifically, in order to ensure the validity and completeness of automotive safety design, we have built two independent processes for product design and product verification. The product design and process implementation are carried out by our design department, while the product result verification and process certification are carried out by our verification department, to ensure the independence and objectivity of both our product design and verification, which in turn enhances the reliability of our final products quality.

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We have adopted various safety design solutions catering to the specific application scenarios and their corresponding safety levels. Our stringent end-to-end protection scheme achieves physical isolation of different autonomous driving functions through our modular design of functional safety islands on the SoC in accordance with ISO 26262, so that the failure of a specific function will not trigger the failure of the entire SoC, preventing accidents under extreme conditions. In addition, our modular design of functional safety islands not only satisfies our automotive safety design requirements, but also enables rapid construction of autonomous driving function modules under safe conditions, supporting highly efficient development and design process and the final testing and verification.

During the Track Record Period and up to the Latest Practicable Date, there was no material adverse event occurred in relation to safety or reliability of our products or services.

PATH TO PROFITABILITY

We have experienced strong revenue growth during the Track Record Period, demonstrating our ability to successfully commercialize our products and solutions. Our revenue increased from RMB60.5 million in 2021 to RMB165.4 million in 2022, and further to RMB312.4 million in 2023; our revenue slightly decreased from RMB29.3 million in the three months ended March 31, 2023 to RMB27.5 million in the three months ended March 31, 2024. In 2023, we provided our products and solutions to 85 customers in China and overseas. Specifically, revenue from autonomous driving products and solutions increased from RMB34.3 million in 2021 to RMB142.3 million in 2022, and further to RMB276.3 million in 2023, accounting for 56.6%, 86.0% and 88.5% of our total revenue for the same years, respectively; revenue from autonomous driving products and solutions increased from RMB22.7 million in the three months ended March 31, 2023 to RMB23.6 million in the three months ended March 31, 2024, accounting for 77.5% and 85.8% of our total revenue for the same periods, respectively. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024. According to Frost & Sullivan, we accounted for 7.2% of the high-computing power SoC markets in terms of units delivered in China in 2023. According to the same source, the global and China automotive-grade SoC market size is expected to grow 36.5% and 42.6% in 2024, respectively, and the shipments of high-computing power SoCs in China and globally are expected to increase significantly in the coming years. With further penetration and development of the autonomous driving products and solutions market, we expect that our revenue from such products and solutions will continue to grow significantly and be our major revenue contributor in the foreseeable future.

Our gross profit grew rapidly from RMB21.9 million in 2021 to RMB48.6 million in 2022 and further to RMB77.1 million in 2023; our gross profit grew from RMB5.5 million in the three months ended March 31, 2023 to RMB16.7 million in the three months ended March 31, 2024. Our gross profit margin was 36.1%, 29.4%, 24.7%, 18.7% and 60.9% in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The decrease in gross profit margin from 2021 to 2022 was due to the increased revenue contribution of autonomous driving products and solutions, which involves more hardware components and generally entails comparatively lower gross profit margin. Our gross profit margin for autonomous driving products and solutions increased from 18.6% in 2021 to 24.2% in 2022, and then decreased to 21.4% in 2023; our gross profit margin for autonomous driving products and solutions increased from 12.9% in the three months ended March 31, 2023 to 55.0% in the three months ended March 31, 2024. Our gross profit margin for intelligent imaging solutions

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business remained relatively stable in 2021 and 2022, being 59.0% and 61.5%, respectively, and then decreased to 50.1% in 2023; our gross profit margin for intelligent imaging solutions business increased from 38.7% in the three months ended March 31, 2023 to 96.5% in the three months ended March 31, 2024.

We had a net (loss)/profit of RMB(2,356.5) million, RMB(2,753.9) million, RMB(4,855.1) million, RMB(1,106.7) million and RMB1,203.3 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. During the COVID-19 resurgence in 2022, we experienced certain disruptions in terms of our sales activities. As a result, there was a temporary delay in project delivery and an overall slowdown in customer engagement, which in turn affected our product commercialization and business expansion. Eliminating impact of items including (i) share-based payment expenses and (ii) fair value change in financial instruments issued to investors, we generated an adjusted net loss (non-IFRS measure) of RMB613.6 million, RMB700.3 million, RMB1,254.2 million, RMB245.6 million and RMB319.7 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, accounting for 1,014.1%, 423.3%, 401.5%, 839.6% and 1,163.5% of our revenue for the respective periods. See “Financial Information – Description of Major Components of Our Results of Operations – Non-IFRS Measure.”

Our adjusted net losses (non-IFRS measure) were primarily due to the significant amounts of selling expenses, general and administrative expenses and R&D expenses incurred during the Track Record Period. The absolute dollar amounts of our selling expenses, general and administrative expenses and R&D expenses (excluding share-based compensation) increased throughout the Track Record Period as our business grew rapidly. Historically, we have made significant investments in our R&D activities and selling efforts as we continued to develop our products and solutions and expand our brand influence. However, as we expand the scale and scope of our business, we expect to make continuous improvement to our operational efficiency. We have started to implement prudent measures to manage our costs and operating expenses.

During the Track Record Period, we had funded our cash requirements primarily with capital contribution from shareholders and financing through the Pre-IPO Investments. See “History and Corporate Structure – Pre-IPO Investments.” We had cash and cash equivalents and current financial assets at fair value through profit or loss of RMB1,553.4 million, RMB1,688.7 million, RMB1,306.7 million and RMB1,061.8 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Our total cash balance is sufficient to cover our net cash flows used in operating activities and provide adequate liquidity for our expansion of business operations. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets, after taking into account the financial resources available to us.

We recorded net losses in 2021, 2022 and 2023, and recorded adjusted net loss (non-IFRS measure) and net operating cash outflow during the Track Record Period. We currently expect such positions may continue until we achieve a greater scale. We anticipate that we will continue to incur adjusted net loss (non-IFRS measure) and operating loss for the year ending December 31, 2024, primarily due to the expected substantial R&D expenses. In the future, we aim to maintain sustainability and achieve profitability through: (i) enriching and expanding our products and solutions; (ii) expanding customer base; and (iii) enhancing our operational efficiency and economies of scale.

Enriching and Expanding Our Products and Solutions

We focus on developing automotive-grade SoCs. We launched our A1000 and A1000L SoCs in 2020 with mass-production in 2022. We announced our Wudang Series cross-domain SoCs in April 2023, the first in the industry to integrate autonomous driving, smart cockpit, body control and other computational domains, according to Frost & Sullivan. Leveraging the technologies accumulated during the development of A1000 series and the continuous improvement of the IP cores, we developed and announced our cross-domain SoC C1200 in April 2023. The C1200 represents our efforts to deliver cross-domain integration capabilities and more complex functions to support a more centralized EEA. This approach effectively lowers costs, enhances computational power utilization, and improves communication efficiency. We expect that C1200 SoCs will integrate multiple functions on a single board that are traditionally realized by multiple computing chips, delivering more value for vehicles. We are currently engaging major potential customers for design wins and expect to generate revenue from C1200 in 2024, aiming to achieve mass production by 2025. With the launch of Wudang C1200 in 2023, we intend to further enhance the cross-sale of our autonomous driving products and solutions and meet varying customer demands. In addition, we are implementing replicable modules to quickly develop and upgrade our current products and solutions, as well as to launch new product lines, including Patronus 2.0 solution for commercial vehicles, MEC V2X solution based on Huashan series SoCs and Huashan-SOM series core computing cards. We also offer more comprehensive autonomous driving solutions based on the Huashan Series SoCs, at a higher product price, achieving an increase in the gross profit margin attributable to the integration of SoCs.

We will further enhance commercialization efforts for our autonomous driving solutions, in particular, Best Drive, Patronus 2.0 solution for commercial vehicles, MEC V2X solution based on Huashan series SoCs and Huashan-SOM series core computing cards. We have cooperated with new strategic customers for V2X strategic cooperation and robotics companies and advanced solution companies in the industry for SOM commercialization. For example, we are working with other companies to provide or planning to provide vehicle-road coordination services for smart transportation solutions for regions such as Qingshan District of Wuhan City and Chengdu High-tech Zone, and have entered into strategic cooperation framework agreement with a subsidiary of China State Construction International Holdings for cooperation in industrial park development, V2X and intelligent upgrade of infrastructure for smart city, smart highway and smart industrial park, through which we have provided hardware-software integrated system-level solutions for certain smart industrial park intelligent upgrade projects. We also started cooperation with Western Zhilian in June 2023 and expect to deliver products for edge computing in V2X projects. We are constantly upgrading our solutions, gradually from original algorithm-based solutions to more sophisticated, comprehensive SoC-based solutions that incorporate our SoCs and include software and hardware components and our gross profit had been greatly improved during the Track Record Period due to the higher added value brought by the SoC-based solutions. Such value is typically reflected in (i) more advanced autonomous driving functions as SoC-based solutions are designed to handle more complex computations required for higher levels of autonomous driving, being able to process vast amounts of data in real-time, which is crucial for advanced

features like object detection and real-time decision making; (ii) better integration among components which allows for more efficient communication and reduced latency; (iii) higher power efficiency; and (iv) more flexibility as SoC-based solutions can be tailored to accommodate the specific requirements of an autonomous driving system, allowing for optimization of performance.

Expanding Customer Base

We believe our SoCs and solutions enjoy vast market opportunities, with China's ADAS vehicle sales market at the stage of rapid growth, according to Frost & Sullivan. Our SoCs are capable of supporting comprehensive software and hardware to generate consolidated solutions that can be deployed across passenger vehicles, commercial vehicles, and V2X scenarios. As of the Latest Practicable Date, we had earned design wins for mass production of SoC products for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers including (i) 18 vehicle models with 11 automotive OEMs and Tier 1 suppliers for A1000, and (ii) four vehicle models with four automotive OEMs and Tier 1 suppliers for A1000L, and (iii) one vehicle model for the option of either A1000 or A1000L with a Tier 1 supplier. Moving forward, we plan to continue developing global and domestic customers. Specifically, we plan to focus on engaging domestic OEMs and Tier 1 suppliers building local supply chains and establishing unified autonomous driving platforms for their diverse vehicle models. As we can develop consolidated solutions with different technical characteristics based on our mass-produced SoCs, we would be able to quickly adapt our products to other vehicle models and obtain more letters of intent and mass production of vehicle models from individual OEMs and Tier 1 suppliers, thereby increasing revenue. Additionally, we plan to deepen our collaboration with our strategic customers.

We had partnered with over 49 automotive OEMs and Tier 1 suppliers such as FAW Group, Dongfeng, JAC, HYCAN, ECARX, Baidu, Bosch, ZF Group and Marelli as of the Latest Practicable Date. Our collaboration with these automotive OEMs are based on our framework agreements with them, and they have provided letter of intent to us for ordering our products or solutions. Such letter of intent may include estimated volume of products or solutions to be procured and pricing. For salient terms of agreements with automotive OEMs and Tier 1 suppliers, see “– Customers.” As we continually upgrade and expand our SoC-based solutions, we expect that our customers will find increasing value in our solutions and apply them in more of their mass-produced vehicle models, which may be based on same or similar vehicle platforms, improving the development efficiency and driving our revenue growth concurrently. As the production and sales of these vehicle models escalate, we foresee a corresponding increase in our revenue. We provide Huashan A1000 SoCs for Geely's Lynk & Co 08 mass produced in September 2023, and anticipate a steady growth in the revenue from this model as its sales continues in 2024. We have further secured design win for Geely's another upgraded model expected to be mass produced in 2024. Moreover, the net dollar retention rate for our SoC-based solutions reached 131% in 2023, underscoring the OEM's confidence in our products and solutions.

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In addition, we are jointly developing autonomous driving products integrating hardware and software based on Huashan A1000 SoC with Baidu, and we will provide our SoC-based solutions embedded with hardware such as A1000 and FAD platform, our IP cores such as ISP, and software for the SoC and its camera access and video outputs to Baidu as a Tier 2 supplier after obtaining projects from automotive OEMs. Under the collaboration agreement, we are responsible for (i) delivering the SoCs and the design of our FAD platform, and (ii) offering software and technical support for the creation of domain controllers for autonomous driving, which includes providing the Linux SDK for the A1000 series, managing the SoC bringing-up process to port the operating system to a new embedded system, developing configuration code for the camera driver, optimizing the ISP of the A1000 series, and creating the driver for video output. Baidu is mainly responsible for implanting the autonomous driving related algorithms into the chips to form an integrated platform for parking and driving. The key milestones include, among others, the delivery of prototypes in batches in April to May 2023, successful implementation of basic services and communication middleware in May 2023, testing of functions in real vehicle with connection to sensors in May 2023, and the successful completion of autonomous driving function tests in June 2023. We have been assisting Baidu with joint marketing efforts to obtain projects for both Baidu's domain controllers and our SoC-based solutions in collaboration with OEMs to bring our respective products to market. We would recommend Baidu as a Tier 1 supplier for our SoC-based solutions and Baidu would recommend us as a Tier 2 supplier for their domain controllers to provide a bundled solution for automotive OEMs' consideration. Our newly developed strategic customers are mainly from public transportation sector. In the field of vehicle-road coordination, we have reached strategic cooperation with China State Construction International and Western Zhilian. In terms of core computing cards, we have established strong partnerships with robotics companies and top-tier solution providers in the industry. In the future, we will conduct in-depth cooperation with more strategic customers and leverage our flexible model of decoupling software and hardware to provide more products and services.

Enhancing our Operational Efficiency and Economies of Scale

We have streamlined our operations and maintained a reasonable size of management, operations and R&D teams. As of March 31, 2024, we had 1,052 employees, including 908 R&D personnel. We primarily invested in R&D activities and incurred R&D expenses of RMB339.4 million in the three months ended March 31, 2024, accounting for 1,235.3% of the revenue for the same period, which mainly consisted of employee compensation expenses.

Going forward, we intend to fully leverage the IPs and technologies accumulated in the development process of A1000 series chips and IP cores, integrating them into the development of C1200 chips and other future chips, resulting in a reduction of the associated costs of developing new technologies. For example, we managed to significantly reduce the design cycle for C1200 by utilizing the algorithms and designs that were previously developed for A1000, including a substantial amount of existing codes and test cases. The strategy also allowed us to concentrate our R&D resources on critical areas to enhance the performance of C1200, including boosting the clock frequency to accelerate calculation speed and expanding the size of on-chip-memory. As a result, we delivered the final design within a few months after

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confirming the customer demands. Despite the short cycle, C1200 was enhanced to support a larger number of sensors, accommodate a wider variety of sensors, process a greater number of pixels per second, and cater to more user cases. We also re-used the tools, models and verification environments for the SoC development, such as the EDA tools acquired at an approximate cost of RMB82 million, which could be extended to the development of A2000.

We expect to enhance the R&D efficiency primarily in terms of employee compensation expenses. We had experienced a slowdown in the expansion of R&D team during the Track Record Period. The number of R&D staff amounted to 501, 783, 950 and 908 as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Meanwhile, we had an expanded R&D scope and increase in workload in 2022 and 2023 relating to the testing, finalizing and mass production of A1000 series as well as design of C1200 and A2000, reflecting our improved R&D efficiency. We aim to prudently undertake new major R&D projects in the future, with our resources focused on products and technologies that can quickly achieve commercialization, including C1200 and A2000. This will enable us to maintain our current R&D staff size, with R&D expenses as a percentage of revenue expected to generally decrease over time. We believe that we can achieve higher cost efficiencies in the R&D process, in particularly the tape-out, testing and packaging services, driven by the increasing economies of scale from mass production of SoCs.

Additionally, we are taking measures to optimize our cost structure and improve operational efficiency in various sectors. For example, we expect to improve our cost control capabilities benefiting from growing procurement volumes, and enhance our brand awareness as we gradually build our reputation. We also expect to maximize our product exposure by participating the most influential third-party conferences and exhibitions, thereby improving the sales and marketing efficiencies.

Based on the foregoing, our Directors believe that our business is sustainable, and nothing has come to the Joint Sponsors' attention that would cause them to cast reasonable doubt on the view of the Directors above.

PROPERTIES

Our corporate headquarters is located at Wuhan, China. As of the Latest Practicable Date, we did not have any self-owned property, and leased eight properties in the PRC, Singapore and the U.S. with an aggregate gross floor area of approximately 16,436 square meters. Our leased properties are primarily used for corporate administration, research and development, and office purposes.

As of March 31, 2024, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report.

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LICENSES, APPROVALS AND PERMITS

We lay great emphasis on the ultimate safety of autonomous driving vehicles using our SoCs and/or solutions. Our autonomous driving SoC series are designed to comply with automotive grade standards. Our products and R&D procedures passed various industry-recognized certifications and tests for safety and reliability. The table below sets out the main standards, certifications or requirements that we were compliant with as of the Latest Practicable Date:

Standards, certifications or requirements	Definition of the standards, certifications or requirements	Our compliance with the standards, certifications or requirements
ISO9001	An internationally accepted standard for quality management, made by the International Organization for Standardization.	Our R&D processes are ISO9001 certified in general.
ISO 26262 and ASIL	ISO 26262 is an internationally accepted safety standard for automotive electronic and electrical products, made by the International Organization for Standardization. ISO 26262 uses automotive safety integrity level (ASIL) as the risk classification scheme. There are four ASILs identified by the standard: ASIL-A, ASIL-B, ASIL-C, ASIL-D. ASIL-D dictates the highest integrity requirements on the product and ASIL-A the lowest.	<ul style="list-style-type: none">• We are one of the first companies in China to obtain a full suite of automotive-grade certificates, such as the ISO 26262 Functional Safety Expert Certificate, ISO 26262 ASIL-D Functional Safety Development Process Certificate and ISO 26262 ASIL-B Functional Safety Product Certificate;• Our R&D process for SoC is ISO 26262 ASIL-D certified;• The A1000 Series SoCs are ISO 26262 ASIL-B compliant; and• The safety island design of the C1200 SoCs is ISO 26262 ASIL-D compliant.
ASPICE	Automotive software process improvement and capability determination, an industry-standard guideline for evaluating software development processes.	Our R&D process for software is ASPICE certified.

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Standards, certifications or requirements	Definition of the standards, certifications or requirements	Our compliance with the standards, certifications or requirements
EVITA	E-safety Vehicle Intrusion Protected Applications, a set of standards that set out a recommend hardware and software architecture to satisfy safety requirements intended to mitigate the cybersecurity threats associated with typical connected car use cases. EVITA is co-funded by the European Commission within the Seventh Framework Programme for research and technological development.	The security module of the C1200 SoCs is designed to meet EVITA full qualifications.
IATF16949	A technical specification aimed at the development of quality management system which provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain and assembly process	The suppliers for the A1000 SoC series are IATF16949 certified.
RoHS	Restriction of hazardous substances in electrical and electronic equipment, the European Union rules restricting the use of hazardous substances in electrical and electronic equipment to protect the environment and public health	The A1000 Series SoCs are in compliance with environmental instructions such as RoHS.
REACH	Registration, evaluation, authorisation and restriction of chemicals, the main European Union law to protect human health and the environment from the risks that can be posed by chemicals.	The A1000 Series SoCs are in compliance with environmental instructions such as REACH.
HF	Halogen-free, a substance must consist of less than 900 parts per million (ppm) of chlorine or bromine and also have less than 1500 ppm of total halogens to be classified as halogen free	The A1000 Series SoCs are in compliance with environmental instructions such as HF.

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As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations in the PRC, and such business licenses had remained in full effect. Our PRC Legal Advisor further confirms that save for the above-mentioned industry-specific standards and certifications, there is no other regulatory approval required and/or obtained for each key Specialist Technology Product under the relevant PRC laws and regulations. As of the Latest Practicable Date, no material unexpected or adverse changes had occurred since the dates of issue of the relevant regulatory approvals for our Specialist Technology Products.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors – Risks Relating to Our General Operations – We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition."

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance.

U.S. Export Control Laws and Regulations

On October 7, 2022, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) released an Interim Final Rule (the 2022 Rule) that implemented several new export controls to restrict China's access from the U.S. and overseas sources relying on U.S. technology to certain advanced computing technology, semiconductors, and related items used in the manufacturing of semiconductors. On October 17, 2023, BIS released the most recent expansion of U.S. export restrictions on semiconductors and semiconductor manufacturing equipment (SME) in the form of two Interim Final Rules (the 2023 Rule). Below is an overview of the changes imposed by the relevant rules, as well as the impact on the Group.

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The 2022 Rule significantly enhanced U.S. export controls as applied to advanced integrated circuit (IC) products, related SME and technology and supercomputers, where the destination or ultimate end use is in China. Below is an overview of the major changes coming out of the 2022 Rule.

- **New Commerce Control List (CCL) Controls on ICs and SME:** As part of the 2022 Rule, BIS expanded CCL-based controls under the Export Administration Regulations (EAR) to add additional Export Control Classification Numbers (ECCNs). New ECCN 3A090 was created to control certain high-performance ICs that have or are programmable to have an aggregate bidirectional transfer rate over all inputs and outputs of 600 GB/s or more to or from integrated circuits other than volatile memories. In parallel with this new control, BIS created controls on a broad variety of advanced IC manufacturing equipment not already controlled under the CCL that could potentially be used to produce ICs now controlled under ECCN 3A090, including various high-performance electroplating and chemical vapor deposition processes and processes for fabricating metal contacts. The 2022 Rule also extended to related controls on software and technology for the development, production, or use of such items, as well as computers, electronic assemblies, and other items containing the controlled ICs. Finally, the 2022 Rule also expanded some CCL-based controls on lower-level computing ICs and associated computer commodities through the addition of new ECCNs 3A991.p and 4A994.1.
- **Creation of New U.S. Person Restrictions:** In the 2022 Rule, BIS expanded Section 744.6 of the EAR to inform U.S. persons that a license is required for the shipment, transmission, or transfer (in-country) to or within China of certain items not subject to the EAR, or the facilitation of such shipments or transfers, or the servicing of such items, by U.S. persons anywhere in the world. The restrictions applied to: (1) any items when you know the items will be used in the development or production of ICs at a semiconductor fabrication facility in China that fabricates certain advanced node logic ICs, NOT-AND (NAND) memory ICs, and dynamic random-access memory (DRAM) ICs, (2) certain items meeting the parameters of any ECCN in Product Groups B, C, D, or E in Category 3 of the CCL (IC manufacturing equipment, software, and technology) destined to a fabrication facility, where you do not know whether the facility fabricates such advanced ICs, and (3) other newly controlled advanced IC SME, regardless of end use or end user.
- **New and Expanded Foreign Direct Product Rules:** BIS also expanded certain foreign direct product rules (FDPRs) as part of the 2022 Rule. The EAR's FDPRs extend U.S. export control jurisdiction to certain foreign produced items that are the "direct product" of specified U.S. technology or equipment controlled for national security reasons. First, BIS created a new Entity List-specific FDPR by identifying certain entities already on the Entity List with a new footnote based on their involvement in developing certain supercomputers. The restriction made certain additional foreign-produced items that are the direct product of, or that are produced using equipment that is the direct product of, certain controlled U.S. technology or

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software “subject to EAR” if incorporated into, or used in the production or development of any part, component, or equipment produced, purchased, or ordered by any of the 28 designated entities, or if one of the designated entities is a party to the transaction involving the foreign produced item, such as a purchaser, intermediate consignee, ultimate consignee, or end user. BIS also created a new “Advanced Computing FDPR” and a “Supercomputer FDPR.” The Advanced Computing FDPR made certain foreign-produced advanced computer items and advanced ICs meeting the parameters of the new ECCNs subject to the EAR when destined to China (or incorporated into another item destined to China) when they are the direct product of certain controlled IC, computer, or telecommunications related software, equipment, and technology. The “Supercomputer FDPR” made any product subject to the EAR when produced by equipment that is itself the direct product of certain controlled IC, computer, or telecommunications related software, equipment, and technology if there is knowledge that the product will be used in the design, development, production, operation, installation, maintenance, checking, repair, overhaul, or refurbishing of a supercomputer located in China, or incorporated into or used in the development or production of any part, components, or equipment that will be used in a supercomputer located in or destined for China.

- **New End Use and End User Restrictions:** The final major change coming out of the 2022 Rule included the introduction of new end use and end user restrictions similar to the U.S. person restrictions detailed above, but applicable instead to all items subject to the EAR anywhere in the world. Under the “SME End Use Rule,” BIS introduced a new license requirement for the export, reexport, or transfer (in-country) without a license, of any items subject to the EAR when you know they will be used in the development or production of ICs at a semiconductor fabrication facility located in China that fabricates advanced node ICs (as described above). The SME End Use Rule likewise imposed a license requirement on items subject to the EAR and classified in any ECCN in Product Groups B, C, D, or E in Category 3 of the CCL (IC manufacturing equipment, software, and technology) destined to a fabrication facility, where you do not know whether the facility fabricates such advanced ICs. Finally, the SME End Use Rule will impose a license requirement on any items subject to the EAR when the item will be used in the development or production in China of any parts, components, or equipment specified in certain advanced IC and SME related ECCNs. Finally, BIS introduced the “Supercomputer End Use Rule,” which imposes a licensing requirement on certain controlled advanced ICs or items containing advanced ICs, as well as computers, electronic assemblies, and components classified in certain ECCNs, when the items will be used, directly or indirectly, for certain supercomputer-related end uses.

Following the 2022 Rule, the 2023 Rule thereafter revised and expanded upon the 2022 Rule. Below is an overview of the changes coming out of the 2023 Rule as compared to the 2022 Rule.

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- **Additional Controls on Semiconductor Manufacturing Equipment:** BIS expanded the scope of the SME export controls to capture additional tools and equipment critical to development of certain advanced ICs and expanded the SME controls to restrict exports to additional destinations. Newly controlled items include certain equipment and components for the most advanced IC production operations, such as EUV (extreme ultraviolet) etching and advanced deposition processing. BIS also removed the de minimis U.S. content threshold for certain foreign-produced lithography equipment, making such items subject to the Export Administration Regulations (EAR) when produced with any U.S.-origin content.
- **Additional Controls on Semiconductors:** BIS also expanded the scope of ECCN 3A090 to capture a variety of additional ICs, with the stated purpose of controlling ICs that “could provide nearly comparable AI model training capability as those controlled” in the 2022 Rule. BIS expanded ECCN 3A090.a to now broadly control ICs with one or more digital processing units having either (1) a ‘total processing performance’ of 4800 or more, or (2) a ‘total processing performance’ of 1600 or more and a ‘performance density’ of 5.92 or more. ECCN 3A090.b now controls ICs with one or more digital processing units having either (1) a ‘total processing performance’ of 2400 or more and less than 4800 and a ‘performance density’ of 1.6 or more and less than 5.92 or (2) a ‘total processing performance’ of 1600 or more and a ‘performance density’ of 3.2 or more and less than 5.92. At the same time, BIS created a carve-out for certain ICs that are not designed or marketed for use in datacenters with a ‘total processing performance’ of less than 4800. The controls also extend to any items containing such ICs categorized elsewhere on the Commerce Control List (CCL) and have been expanded to cover additional countries. The 2023 Rule also created a new license exception, License Exception Notification Advanced Computing (NAC), to create a notification requirement for certain exports of less sophisticated ICs now controlled under 3A090. BIS also created a favorable license application review policy for exports to newly controlled destinations.
- **Revisions and Additions to Various End Use Controls and US Person Restrictions:** In addition to controls on new ICs and SME, BIS expanded and revised certain end use controls on items “subject to the EAR,” including end use controls related to supercomputers and semiconductor manufacturing end uses. BIS expanded the geographic scope of the restrictions, and also expanded the geographic scope of the restrictions on certain activities of US persons. BIS also clarified and narrowed certain US person restrictions to avoid restricting servicing by US persons of items at certain legacy-node facilities. Finally, BIS clarified in the recent regulations that a facility where only development activities occur, such as purely design work, would not fall within the scope of the controls. Likewise, BIS created an exclusion to the restrictions, carving out from “production” certain “back-end” steps like assembly, testing, and packaging, which would not alter the technology level of ICs.

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- **Additional Geographic Scope Expansion for Advanced Computing FDPR:** BIS also broadened the country scope of the Advanced Computing FDPR. The Advanced Computing FDPR previously controlled foreign produced advanced computer items (meeting the performance parameters of 3A090 or 4A090) when destined to China if they are the direct product of certain U.S.-origin software or technology. Following the 2023 Rule, the geographic scope of the rule was expanded.
- **Entity List Additions:** In conjunction with the 2023 Rule, BIS also added two PRC companies, along with certain subsidiaries, to the Entity List.

Under the EAR, an item manufactured outside of the United States can be subject to EAR jurisdiction if the item incorporates certain above de minimis U.S. controlled content (the de minimis rule) or is subject to one of the EAR's foreign direct product rules. The Group product has not incorporated, and will not incorporate, any U.S. controlled content, and therefore would not be captured under the EAR's de minimis rule. Under variations of the EAR's foreign direct product rule, a foreign-produced item may also be subject to EAR jurisdiction if it is produced from certain controlled U.S. technology or software or is a direct product of a complete plant or a major component of a plant that itself is the direct product of certain U.S.-origin technology and it falls under certain Export Control Classification Number provisions (ECCNs) on the EAR's Commerce Control List (CCL). The EAR foreign direct product rules do not apply to the Group's product as it is not the direct product of, or the direct product of a plant or major component of a plant that is itself the direct product of, any applicable U.S.-origin technology or software.

Moreover, the product would be categorized as "EAR99", a catch-all export control classification applicable to products not subject to EAR-based country-specific licensing controls on the CCL. More particularly, according to the Group's review of the parameters of the recent export control restrictions, which was reviewed by K&L Gates, the product's capabilities are not captured under expanded ECCNs (in particular, ECCN 3A090) under enhancement to EAR-based controls on integrated circuits through the 2022 Rule and the 2023 Rule. Accordingly, the products manufactured by TSMC for the Group would not be subject to additional export controls under U.S. law unless U.S. persons are involved in the transaction, and can generally be shipped to China without specific authorization from U.S. authorities.

Certain export control rules restrict activities of U.S. persons, and other rules impose end use and end user restrictions on goods subject to the EAR, even if categorized as EAR99. The EAR impose certain restrictions on transactions involving goods subject to U.S. jurisdiction based on the "end use" to which the item will be put, or the "end user" that will ultimately receive the item. These restrictions are set out in Part 744 of the EAR. End use restrictions involve certain restrictions on nuclear or weapons of mass destruction (WMD) uses, certain military end uses, as well as more recently certain restrictions on semiconductor manufacturing end uses, advanced computing, and supercomputers. End user restrictions primarily include parties on certain restricted party lists, such as the Entity List maintained by the BIS and Security of the U.S. Department of Commerce, as well as certain military or military intelligence end users. The Group's transactions with Shanghai International and TSMC do not involve any restricted end uses or end users, nor do they involve U.S. persons in any manners

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restricted by existing restrictions on the activities of U.S. persons set out in 15 C.F.R. § 744.6. Furthermore, as noted above, the Group's chips produced by TSMC are not subject to the EAR. Therefore, the goods are not subject to U.S. export control jurisdiction, and are therefore not even subject to the end use and end user controls applicable to U.S. goods as set out in 15 C.F.R. Part 744. The semiconductor manufacturing equipment (SME) controlled under the new restrictions are limited to SME for production of advanced ICs. During the Track Record Period and up to the Latest Practicable Date, the Group's products are not the types of advanced ICs requiring the use of these tools for production. In addition, even outside of the Group's transactions with Shanghai International and TSMC, the Group had not done business with any entities designated to the Entity List.

In August 2023, President Joe Biden signed an Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (the "**Executive Order**"). In addition, the U.S. Department of Treasury issued an advance notice of proposed rulemaking (the "**ANPRM**") seeking public comment related to the implementation of the Executive Order. The ANPRM proposes a regulatory framework for certain U.S. investments into China (including Hong Kong and Macau) in entities engaged in activities involving sensitive technologies critical to national securities in three sectors, namely, semiconductors and microelectronics, quantum information technologies, and artificial intelligence. The program would, pursuant to implementing regulations, prohibit U.S. persons from undertaking certain transactions and require notification by U.S. persons on certain investments. The ANPRM proposes to exclude certain "excepted transactions," such as passive investments into publicly traded securities. However, the ANPRM does not itself implement the Executive Order and is not a draft regulatory text. It will be followed by draft regulations at a later stage in the process. As of the date of this Prospectus, this program has not gone into effect and the draft regulations has not been released, with the exact scope and details of the program subject to further adjustments.

Based on the above and as confirmed by our legal advisors as to U.S. export control laws, our Directors are of the view that during the Track Record Period and up to the Latest Practicable Date, the U.S. export control laws and the Executive Order did not have any material adverse impact on our Directors, senior management and shareholders or our operation, financial performance and fund raising activities from U.S. export control legal perspective. Although certain Directors, senior management, or shareholders may be U.S. persons, the U.S. person restrictions imposed by the 2022 Rule and the 2023 Rule did not have a material adverse impact on them because the rules are broadly inapplicable to the Company's transactions. The new restrictions are currently set out in 15 C.F.R. 744.6(c)(2), and impose controls on: (1) any items you know will be used in the development or production of integrated circuits (ICs) at certain facilities where production of specified advanced node ICs occurs, (2) items meeting the parameters of certain semiconductor manufacturing equipment, software and technology export control classification numbers (ECCNs) when you know the item will be used in the development or production of ICs at certain facilities, but you do not know whether such facilities carry out production of advanced node ICs, and (3) items meeting the parameters of certain advanced semiconductor manufacturing equipment, software and technology ECCNs. The Company confirms that it does not import any item that it knows is to be used for the purpose listed in (1). Neither (2) nor (3) are applicable to the Company's

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operations because the Company does not produce or design semiconductor manufacturing equipment falling within the identified ECCNs. Based on the independent due diligence performed by the Joint Sponsors, the opinion from the Company's PRC Legal Advisor and its legal advisors as to U.S. export control laws and the Company's analysis above, nothing has come to the attention of the Joint Sponsors that would cause them to cast reasonable doubt on the views of the Directors above.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a set of risk management measures and internal control policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these policies. Furthermore, we continually review the implementation of our risk management policies and measures to ensure that our policies and implementation are effective and sufficient. We have adopted and implemented comprehensive internal control management in various aspects of our business operations such as financial management, compliance, intellectual property, human resources.

Financial Management

We have adopted comprehensive financial policies in connection with our financial management, such as budget management, expenses management, accounting management and capital management. We also appointed an internal control manager who is responsible for the system construction related with internal control and implementation of policies. The budget report is reviewed by our CEO every year to ensure its reasonability.

Compliance Management

In order to effectively manage our regulatory compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department (including global teams) performs the basic function of reviewing and updating the form of contracts we enter into with our customers, suppliers and other business partners. Our sales manager examines the contract terms and reviews relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and the necessary underlying due diligence materials, before we enter into any contract or business arrangements. We also issued the internal contract management policies to regulate the business contract signing, reviewing and implementation procedures. In addition, we continuously improve our internal policies according to changes in laws, regulations and industry standards, such as the policies related with autonomous driving, data privacy. According to our PRC Legal Advisor, as of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been any material cybersecurity and data protection incidents with respect to data leakage, violation of data protection laws and regulations or investigation or other legal proceeding against us in this regard.

Human Resource Management

We have established internal control and risk management policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We maintain high standards in recruitment with strict procedures to ensure the quality of new hires and provide specialized training tailored to the needs of our employees in different departments. We also conduct periodic performance reviews for our employees, and their remuneration is performance based. We monitor the implementation of internal risk management policies on a regular basis to identify, manage and mitigate internal risks in relation to the potential non-compliance with our code of conduct, work ethics, and violations of our internal policies or illegal acts at all levels of our Group.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

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

Our Board is responsible for, and has the general authority of, the management and operation of our Company. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles.

Our senior management is responsible for the day-to-day management and operation of the Group.

DIRECTORS

The following table sets forth information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. SHAN Jizhang (單記章)	56	Founder, chairman of our Board, executive Director and chief executive officer	July 2016	July 15, 2016	Overseeing the overall business development and formulating objectives and strategies in relation to the management and operation of our Group	None
Mr. LIU Weihong (劉衛紅)	55	Founder, Executive Director and president	July 2016	July 15, 2016	Overseeing the sales and marketing and business development of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. ZENG Daibing (曾代兵)	49	Executive Director and chief system officer	July 2018	June 29, 2023	Overseeing the research and development of chip architecture, chip implementation and underlying software	None

Non-executive Director

Dr. YANG Lei (楊磊)	49	Non-executive Director	September 2016	September 30, 2016	Participating in the decision-making in respect of major matters of our Group	None
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Independent non-executive Directors

Prof. LI Qingyuan (李青原)	47	Independent non-executive Director	July 2024	July 31, 2024	Supervising and providing independent advice to our Board on the operations and management of our Group	None
Prof. LONG Wenmao (龍文懋)	56	Independent non-executive Director	July 2024	July 31, 2024	Supervising and providing independent advice to our Board on the operations and management of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Prof. XU Ming (徐明)	41	Independent non-executive Director	July 2024	July 31, 2024	Supervising and providing independent advice to our Board on the operations and management of our Group	None

Executive Directors

Mr. SHAN Jizhang (單記章), aged 56, is one of our founders, chairman of our Board, our executive Director and the chief executive officer of our Group. He was appointed as a Director on July 15, 2016 and was re-designated as our executive Director and appointed as the chairman of our Board on June 29, 2023. He is primarily responsible for overseeing the overall business development and formulating objectives and strategies in relation to the management and operation of our Group. Mr. Shan founded our Group in July 2016 with Mr. Liu and currently holds directorships in various subsidiaries of our Group.

Mr. Shan had more than 20 years of experiences in the semiconductor industry. Prior to joining our Group, Mr. Shan worked at OmniVision Technologies Inc, a world-renowned imaging semiconductor company, from June 1997 to June 2016, with his last position as a vice president of the software engineering department, during which Mr. Shan was responsible for leading its core research and development.

Mr. Shan had rich experience in the development of high dynamic range technology for automotive use, automotive software and chips. He is the inventor of more than 100 patents in the field of visual perception.

Mr. Shan obtained a bachelor's degree in electronic engineering and a master's degree in electronic engineering from Tsinghua University (清華大學) in the PRC in July 1991 and July 1995, respectively.

Mr. LIU Weihong (劉衛紅), aged 55, is one of our founders, our executive Director and the president of our Group. He was appointed as a Director on July 15, 2016 and was re-designated as our executive Director on June 29, 2023. He is primarily responsible for overseeing the sales and marketing and business development of our Group. Mr. Liu founded our Group in July 2016 with Mr. Shan and currently holds directorships in various subsidiaries of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu had over 20 years of exposure to the automotive industry and gained substantial automotive industry expertise and insights. Prior to joining our Group in 2016, Mr. Liu was a president of Asia Pacific region at Chassis Brakes International (Suzhou) Co., Ltd. (泛博制動部件(蘇州)有限公司) (currently known as Hitachi Astemo Braking Systems (Suzhou) Co. (日立安斯泰莫制動系統(蘇州)有限公司)) from July 2012 to November 2016, during which Mr. Liu was responsible for its strategy, operation, business development, restructuring and mergers and acquisitions. Mr. Liu worked at Bosch Automotive Products (Suzhou) Co., Ltd. (博世汽車部件(蘇州)有限公司) from September 2002 to December 2011, with his last position as a regional president. Mr. Liu also worked at General Motors (China) Co., Ltd. (通用汽車(中國)投資有限公司) prior to joining Bosch Automotive Products (Suzhou) Co., Ltd. (博世汽車部件(蘇州)有限公司).

From November 2004 to April 2007, Mr. Liu was the supervisor of Shanghai Daoqing Technology and Trading Co., Ltd. (上海道擎科貿有限公司), a company established in the PRC, which has its business license revoked on April 4, 2007 due to its failure to conduct annual inspection. The company currently has no operation but has not been dissolved. Mr. Liu confirmed that there was no wrongful act on his part leading to the revocation of its business license and was not aware of any actual or potential claim that had been or would be made against him as a result of such revocation.

Mr. Liu obtained a bachelor's degree in applied chemistry from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1990, a master's degree in chemical engineering from Tsinghua University (清華大學) in the PRC in June 1995 and a Master of Business Administration from the University of Toronto in Canada in June 2002.

Mr. ZENG Daibing (曾代兵), aged 49, is our executive Director and the chief system officer of our Group. Mr. Zeng joined our Group in July 2018 and has been our chief system officer since August 2019. He was appointed as an executive Director on June 29, 2023. He is primarily responsible for overseeing the research and development of chip architecture, chip implementation and underlying software development.

Mr. Zeng has over 23 years of experience in research and development and software management of chips and is familiar with the process of mass production of chips. Prior to joining our Group, Mr. Zeng worked at Shenzhen Sanechips Technology Co., Ltd. (深圳市中興微電子技術有限公司), a subsidiary of ZTE Corporation (中興通訊股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000063.SZ) and the Stock Exchange (stock code: 00763.HK), from July 2000 to July 2018, with his last position as a management personnel.

DIRECTORS AND SENIOR MANAGEMENT

From March 2014 to January 2019, Mr. Zeng was the director of HK EZ-LINK TECHNOLOGY LIMITED (香港易聯科技有限公司), a limited company incorporated under the laws of Hong Kong, which was dissolved on January 25, 2019. Mr. Zeng confirmed that (i) the above company was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company and was not aware of any actual or potential claim that had been or would be made against him as a result of such dissolution; and (iii) no misconduct or misfeasance had been involved in the dissolution of the above company.

Mr. Zeng obtained a bachelor's degree in materials science and engineering and a master's degree in signal and information processing from Northwestern Polytechnical University (西北工業大學) in the PRC in July 1997 and April 2000, respectively.

Non-executive Director

Dr. YANG Lei (楊磊), aged 49, is our non-executive Director. He was appointed as a Director on September 30, 2016 and was re-designated as our non-executive Director on June 29, 2023. He is primarily responsible for decision-making in major matters relating to the operation of our Group. Dr. Yang is also a director at Black Sesame US.

Dr. Yang has been the legal representative, executive director and general manager of Shanghai Particle Future Private Equity Fund Management Company Limited (上海粒子未來私募基金管理有限公司) since July 2022. Dr. Yang was a partner at Northern Light Venture Capital from February 2010 to October 2021 and a principal at VantagePoint Capital Partners from March 2008 to January 2010. Prior to that, he worked at McKinsey & Company.

Dr. Yang has served as a director at EpiTop Science & Technology Co., Ltd. (圓融光電科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 832502.OC), since January 2015 and Anji Microelectronics Technology (Shanghai) Co., Ltd. (安集微電子科技(上海)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688019.SH), since June 2017.

From January 2018 to December 2021, Dr. Yang was a director of Polar Morning Light Venture Capital Management (Beijing) Co., Ltd. (極地晨光創業投資管理(北京)有限公司), a company established in the PRC principally engaged in investment management and administration services, which was deregistered on December 21, 2021. From December 2018 to July 2022, Dr. Yang was the general partner of Shanghai Taixi Investment Management Center (Limited Partnership) (上海泰徙投資管理中心(有限合伙)), a limited partnership established in the PRC principally engaged in investment and asset management, which was deregistered on July 19, 2022. Dr. Yang confirmed that (i) the above companies were solvent immediately prior to their dissolution or deregistration; (ii) there was no wrongful act on his part leading to the dissolution or deregistration of the above companies and was not aware of any actual or potential claim that had been or would be made against him as a result of such dissolution or deregistration; and (iii) no misconduct or misfeasance had been involved in the dissolution or deregistration of the above companies.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Yang obtained a bachelor's degree in chemistry from Peking University (北京大學) in the PRC in July 1997, a Master of Science in computer sciences and a Doctor of Philosophy from the University of Wisconsin-Madison in the United States in December 2000 and August 2001, respectively.

Independent non-executive Directors

Prof. LI Qingyuan (李青原), aged 47, was appointed as our independent non-executive Director on July 31, 2024. He is primarily responsible for supervising and providing independent advice to our Board on the operations and management of our Group.

Prof. Li has worked at the Economics and Management School of Wuhan University (武漢大學經濟與管理學院) since August 2005 and has been a professor and a doctoral advisor since November 2011. Prof. Li was employed as a designated professor under the Chang Jiang Scholars Program (長江學者獎勵計畫) since January 2022.

Prof. Li has been an independent director and the chairman of the audit committee of ArcSoft Corporation Limited (虹軟科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688088.SH), since January 2019, and Hubei Guangji Pharmaceutical Co., Ltd. (湖北廣濟藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000952.SZ), since April 2021. Prof. Li also served as an independent director and the chairman of the audit committee of Shenzhen Topray Solar Co., Ltd. (深圳市拓日新能源科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002218.SZ) from May 2016 to May 2022, and Shenzhen Properties & Resources Development (Group) Ltd. (深圳市物業發展(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000011.SZ), from June 2018 to September 2021. Prof. Li has been involved in the aforementioned listed companies' financial management, including periodic financial reviews and annual financial audit and reporting, in his capacity as an independent director of these listed companies.

Prof. Li has been a non-practicing member of the Chinese Institution of Certified Public Accountants (中國註冊會計師協會) since June 2010. Prof. Li also served as a member of Educational Supervisory Committee in Accounting of the Ministry of Education (教育部會計學專業教學指導委員會) from October 2018 to December 2022. Prof. Li has been selected under the National High-Level Personnel of Special Support Program (國家高層次人才特殊支持計劃) and has completed the National Accounting Talents Training Project Special Support Program (全國高端會計人才培養工程特殊支持計劃) in November 2021.

Prof. Li obtained a bachelor's degree in management studies from Wuhan University of Automotive Industry (武漢汽車工業大學) (currently known as Wuhan University of Technology (武漢理工大學)) in the PRC in June 1999 and a doctorate degree in business management from Wuhan University (武漢大學經濟與管理學院) in the PRC in June 2005.

DIRECTORS AND SENIOR MANAGEMENT

Prof. LONG Wenmao (龍文懋), aged 56, was appointed as our independent non-executive Director on July 31, 2024. She is primarily responsible for supervising and providing independent advice to our Board on the operations and management of our Group.

Prof. Long has extensive experience in the field of science and technology law. Prof. Long has been a professor at the School of Intellectual Property of East China University of Political Science and Law (華東政法大學知識產權學院) since June 2015, and a doctoral advisor since September 2019. Prof. Long worked at Capital Normal University (首都師範大學) from July 1995 to June 2015, with her last position as professor. She also worked at Tsinghua University (清華大學) from July 1991 to August 1993 and was responsible for postgraduate management.

Prof. Long has been a council member of the China Law Association on Science and Technology (中國科學技術法學會). She was honored by the National Intellectual Property Strategy Formulation Leading Group (國家知識產權戰略制定工作領導小組) for her outstanding contribution to the formulation of National Strategy on Intellectual Property (《國家知識產權戰略》) in March 2008.

Prof. Long obtained a bachelor's degree in engineering and a master's degree in Chinese humanities history from Tsinghua University (清華大學) in the PRC in July 1991 and June 1995, and a doctorate degree in law from Peking University (北京大學) in the PRC in July 2001.

Prof. XU Ming (徐明), aged 41, was appointed as our independent non-executive Director on July 31, 2024. He is primarily responsible for supervising and providing independent advice to our Board on the operations and management of our Group.

Prof. Xu has been working at the School of Integrated Circuits at the Huazhong University of Science and Technology (華中科技大學) since August 2016. He has been a professor since May 2017 under the Overseas High-Level Talent Recruitment Program (海外高層次人才引進計劃) and is currently the head of the Department of Microelectronics of Huazhong University of Science and Technology (華中科技大學). Prof. Xu also worked at Rheinisch-Westfälische Technische Hochschule Aachen University from August 2013 to July 2016. In February 2023, Prof. Xu received the OlympusMons Pioneer Award 2022 (奧林帕斯先鋒獎 2022) issued by Huawei Technologies Co., Ltd. (華為技術有限公司).

Prof. Xu obtained a bachelor's degree in optical information science and technology and a master's degree in optical science from Fudan University (復旦大學) in the PRC in July 2005 and June 2008, respectively. Prof. Xu also obtained a Doctor of Philosophy in materials science and engineering from The Johns Hopkins University in the United States in August 2013.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this Prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as a member of senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. SHAN Jizhang (單記章)	56	Founder, chairman of our Board, executive Director and chief executive officer	July 2016	July 2016	Overseeing the overall business development and formulating objectives and strategies in relation to the management and operation of our Group	None
Mr. LIU Weihong (劉衛紅)	55	Founder, Executive Director and president	July 2016	July 2016	Overseeing the sales and marketing and business development of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a member of senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. ZENG Daibing (曾代兵)	49	Executive Director and Chief system officer	July 2018	July 2018	Overseeing the research and development of chip architecture, chip implementation and underlying software	None
Mr. YANG Yuxin (楊宇欣)	45	Chief marketing officer	December 2019	December 2019	Overseeing the investment management and public relations of our Group	None

Mr. SHAN Jizhang (單記章) is one of our founders, chairman of our Board, our executive Director and the chief executive officer of our Group. See “– Directors” in this section for his biographical details.

Mr. LIU Weihong (劉衛紅), is one of our founders, our executive Director and the president of our Group. See “– Directors” in this section for his biographical details.

Mr. ZENG Daibing (曾代兵), is our executive Director and the chief system officer of our Group. See “– Directors” in this section for his biographical details.

Mr. YANG Yuxin (楊宇欣), aged 45, has been our chief marketing officer since December 2019. He is primarily responsible for overseeing the investment management, public relations and business development of our Group.

Mr. Yang has more than 20 years of experience in the telecommunications, mobile, semiconductor and investment sectors. Mr. Yang was a vice president and a director at Thunder Software Technology Co., Ltd. (中科创達軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300496.SZ), from January 2014 to November 2019 and July 2018 to July 2021, respectively, and held directorships and positions in its various subsidiaries. Mr. Yang was a director and a chief executive officer of Beijing Arm Accelerator Technology Co. (北京安創加速器科技有限公司) from July 2018 to January 2020. Mr. Yang has been a director of Shenzhen Modan Technology Co., Ltd. (深圳市魔蛋科技有限公司) and a director of Shanghai Anmu Information Technology Co., Ltd. (上海安牡信息技術有限公司) since July 2015 and February 2017, respectively. Mr. Yang also worked at Nufront

DIRECTORS AND SENIOR MANAGEMENT

(Guangdong) Technology Co., Ltd. (廣東新岸線計算機系統芯片有限公司) from November 2010 to December 2013, and was a mobile computing marketing manager of Asia Pacific at ARM China Co., Ltd. (安謀科技(中國)有限公司) from October 2007 to November 2010, a principal analyst at BDA China Limited (北京博達克諮詢有限公司) from December 2005 to September 2007 and a senior market development and sales engineer at Panasonic Industry (China) Co., Ltd. (松下電器機電(中國)有限公司) from July 2002 to December 2005.

Mr. Yang graduated from Tsinghua University (清華大學) in the PRC in July 2002 majoring in precision instrument.

JOINT COMPANY SECRETARIES

Mr. SUN Xiaoxiang (孫曉祥), aged 36, was appointed as one of our joint company secretaries on July 26, 2024. Mr. Sun joined our Group in July 2022 and has been serving as our board office director since then.

Prior to joining our Group, Mr. Sun was a board secretary office director at Ningbo Joyson Electronic Corp. (寧波均勝電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600699.SH), and a director of investor relations at Ningbo Junpu Intelligent Manufacturing Co., Ltd. (寧波均普智能製造股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688306.SH), from September 2021 to July 2022. Mr. Sun worked at the investment banking department of CSC Financial Co., Ltd. (中信建投證券股份有限公司), a company listed on the Stock Exchange (stock code: 06066.HK) and the Shanghai Stock Exchange (stock code: 601066.SH) from October 2020 to September 2021 and the investment banking department of Everbright Securities Company Limited (光大證券股份有限公司), a company listed on the Stock Exchange (stock code: 06178.HK) and the Shanghai Stock Exchange (stock code: 601788.SH) from January 2016 to July 2020. Mr. Sun also worked at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) from October 2014 to October 2015. Mr. Sun has been a non-practicing member of the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) since March 2016.

Mr. Sun obtained a master's degree in accounting from Shanghai National Accounting Institute (上海國家會計學院) in the PRC in June 2014 and a bachelor's degree in computer science and technology from Northeast Electric Power University (東北電力大學) in the PRC in June 2012.

Ms. KWOK Siu Ying Sarah (郭兆瑩), aged 40, was appointed as a joint company secretary of our Company on July 26, 2024.

Ms. Kwok has joined Vistra Corporate Services (HK) Limited since July 2014 and now serves as a manager of corporate services. She has over seven years of experience in providing a full range of company secretarial and compliance services to a portfolio of clients including multinational corporations and private companies. She is currently the joint company secretary of Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司), a company listed on the Stock Exchange (stock code: 02185.HK), Shanghai HeartCare Medical

DIRECTORS AND SENIOR MANAGEMENT

Technology Corporation Limited (上海心瑋醫療科技股份有限公司), a company listed on the Stock Exchange (stock code: 06609.HK), and Beauty Farm Medical and Health Industry Inc. (美麗田園醫療健康產業有限公司), a company listed on the Stock Exchange (stock code: 02373.HK), and the company secretary of NVC International Holdings Limited (雷士國際控股有限公司), a company listed on the Stock Exchange (stock code: 02222.HK).

Ms. Kwok obtained a bachelor's degree in marketing from University College Dublin, National University of Ireland in Ireland and a master's degree in corporate governance from Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in Hong Kong. She has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries) and an associate member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in United Kingdom since March 2018. She is also an affiliate member of the Society of Trust and Estate Practitioners.

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of senior management receive remuneration from our Company in the form of wages, salaries and bonuses, share-based compensation, pension obligations, housing funds, medical insurances and other social insurances. We determine the remuneration of our Directors and members of senior management based on their responsibilities, qualification, position and seniority.

The aggregate amount of remuneration (including fees, wages and salaries, discretionary bonuses, social security costs, housing benefits and employee welfare and share-based compensation) of our Directors for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 was RMB64.2 million, RMB124.0 million, RMB185.0 million and RMB55.6 million, respectively.

The aggregate amount of remuneration (including wages, salaries and bonuses, share-based compensation, pension obligations, housing funds, medical insurances and other social insurances) we paid to the five highest paid individuals for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 amounted to RMB82.6 million, RMB234.7 million, RMB206.1 million and RMB61.4 million, respectively.

Further information on the remuneration of each Director and the five highest paid individuals during the Track Record Period is set out in Appendix I to this Prospectus.

Under the arrangement currently in force, the total remuneration (including fees, wages and salaries, discretionary bonuses, social security costs, housing benefits and employee welfare and share-based compensation) payable to our Directors for the year ending December 31, 2024 is estimated to be RMB160 million.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid to our Directors or any of the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or receivable by, any of our Directors, former directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

For the details of the service contracts and letters of appointment that we have entered into with our Directors, see “Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 3. Directors’ Service Contracts and Appointment Letters” in Appendix IV to this Prospectus.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” in this Prospectus.

CORPORATE GOVERNANCE

Board Committees

Our Board has established the audit committee, the remuneration committee and the nomination committee, and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group’s activities.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. Our audit committee comprises three members, namely Prof. Li Qingyuan, Prof. Long Wenmao and Prof. Xu Ming. Prof. Li Qingyuan, being the chairperson of the audit committee and an independent non-executive Director, has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the audit committee include, but are not limited to, the following:

- (i) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- (ii) monitoring integrity of the financial reports of our Company, and reviewing significant financial reporting judgments contained in them;
- (iii) reviewing our Company's financial controls, risk management and internal control systems;
- (iv) considering major investigation findings on risk management and internal control matters;
- (v) ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within our Company, and reviewing and monitoring its effectiveness;
- (vi) reviewing our Group's financial and accounting policies and practices; and
- (vii) performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. Our remuneration committee comprises three members, namely Prof. Long Wenmao, Prof. Xu Ming and Mr. Shan Jizhang. Prof. Long Wenmao is the chairperson of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the remuneration committee include, but are not limited to, the following:

- (i) making recommendations to our Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (ii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives;
- (iii) making recommendations to our Board on the remuneration packages of individual executive Directors and senior management;
- (iv) making recommendations to our Board on the remuneration of non-executive Directors;
- (v) considering the level of remuneration paid by comparable companies, the time commitment and responsibilities and employment conditions elsewhere in our Group;
- (vi) reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (vii) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (viii) ensuring that no Director or any of their associates is involved in deciding the Director's own remuneration; and
- (ix) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

Nomination Committee

We have established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. Our nomination committee comprises three members, namely Mr. Shan Jizhang, Prof. Long Wenmao and Prof. Li Qingyuan. Mr. Shan Jizhang is the chairperson of our nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the nomination committee, include, but are not limited to, the following:

- (i) reviewing the structure, size and composition (including but not limited to diversity of skills, knowledge and experience and length of service) of our Board on a regular basis and making recommendations on any proposed changes to our Board to complement our Company's corporate strategy;
- (ii) identifying individuals suitably qualified to become a member of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- (iii) assessing the independence of the independent non-executive Directors of our Company; and
- (iv) making recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairperson of our Board and our chief executive officer.

Corporate Governance Code

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, save as disclosed below, we expect to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the Listing.

Pursuant to code provision C.2.1 of Part 2 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Shan currently performs these two roles. Our Board believes that vesting the roles of both executive chairman of our Board and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within our Group, (ii) enabling more effective and efficient overall strategic planning for our Group, and (iii) facilitating the flow of information between the management and our Board. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of executive chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY

We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. We have adopted a board diversity policy (the “**Board Diversity Policy**”) with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of our Group from time to time.

Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a director of our Company, our nomination committee would consider a range of diversity perspectives, including, but not limited to, professional experience and qualifications, industry and regional experience, talents, skills, knowledge, cultural and education background, gender, age, ethnicity, length of service and other qualities. All Board appointments will be based on merit, in the content of the perspectives, talents, skills and experience our Board as a whole requires to be effective. After Listing, our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose the policy or a summary thereof in our corporate governance report on an annual basis.

Our Board has a balanced mix of experience and skills, including, but not limited to, overall business management, research and development as well as finance and accounting. Our Board has a relatively wide range of ages, ranging from 41 years old to 56 years old. Furthermore, we have one female Director. After due consideration, our Board believes that, based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that, as of the Latest Practicable Date, he or she did not have any interest in any business which competes, or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in May 2023; and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he/she has no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date; and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this Prospectus; and
- (d) where the Stock Exchange makes an inquiry to our Company concerning unusual movements in the price or trading volume of its listed securities or any other matters under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

CORE R&D TEAM MEMBERS

For further details of the experience of our core R&D team members, see “Business – Research and Development” in this Prospectus.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OUR SINGLE LARGEST SHAREHOLDER

As of the date of this Prospectus

Our voting rights structure and the shareholding and voting control of Mr. Shan as of the date of this Prospectus are set out as follows:

1. At all general meetings of the Company, Mr. Shan is entitled to a number of votes equal to ten times the total number of the Ordinary Shares held and the Ordinary Shares into which all Preferred Shares held by Mr. Shan are converted (rounded up to the nearest whole share), and each other Shareholder of our Company is entitled to a number of votes equal to the total number of the Ordinary Shares held and the Ordinary Shares into which all Preferred Shares held by such Shareholder are converted (rounded up to the nearest whole share).
2. Mr. Shan, beneficially owns 42,100,000 Ordinary Shares and 2,000,000 Series A Preferred Shares which represents approximately 8.29% of our total issued share capital.
3. Pursuant to respective voting trust agreements, Mr. Shan controls the exercise of the voting rights of an additional 79,276,415 Shares which represents approximately 14.90% of our total issued share capital. For details of our voting rights structure, see “History and Corporate Structure – Our Voting Rights Structure”.

Therefore, as of the date of this Prospectus, Mr. Shan is deemed to be interested in approximately 23.18% of our total issued share capital and is entitled to exercise a total of approximately 56.00% of the voting rights in our Company.

Immediately after the completion of the Global Offering

Immediately after the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued under the Share Plans), our voting rights structure and Mr. Shan’s shareholding will be as follows:

1. Upon conversion of all the Preferred Shares into the Shares and pursuant to the Articles of Association to be effective upon completion of the Global Offering, the weighted voting rights structure will cease as each Share held by Mr. Shan and all other Shareholders shall be entitled to one vote at all general meetings of the Company.
2. Mr. Shan will beneficially own 44,100,000 Shares which represents approximately 7.75% of our total issued share capital.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

3. Pursuant to the respective voting trust agreements, Mr. Shan controls the exercise of the voting rights of an additional 79,276,415 Shares, which represents approximately 13.93% of our total issued share capital. For details of our voting rights structure, see “History and Corporate Structure – Our Voting Rights Structure”.

Upon Listing, the weighted voting rights structure will cease, such that Mr. Shan will control the exercise of the voting rights of the aforesaid 123,376,415 Shares which represents approximately 21.68% of our total issued share capital (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued under the Share Plans). Therefore, Mr. Shan will be our Single Largest Shareholder upon Listing and our Company will not have any controlling shareholders as defined under the Listing Rules.

For further information on our voting rights and shareholding structure, see the sections headed “History and Corporate Structure – Our voting rights structure” and “History and Corporate Structure – Capitalization of our Company” to this Prospectus.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Single Largest Shareholder and his close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. For more information, see “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of our Single Largest Shareholder and his close associates because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Single Largest Shareholder and his close associates which would support our independent management. See “– Corporate Governance Measures” for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Single Largest Shareholder and his close associates.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Single Largest Shareholder and his close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Single Largest Shareholder and his close associates after the Listing:

- (a) we are not reliant on trademarks or patents owned by our Single Largest Shareholder, or by other companies controlled by him and his close associates;
- (b) we are the holder of all relevant licenses material to the operation of our business;
- (c) we have independent access to our users, customers and suppliers;
- (d) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Single Largest Shareholder and his close associates;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (f) none of our Single Largest Shareholder nor his close associates have any interests in any business which competes or is likely to compete with the business of our Group.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Based on the above, our Directors believe that we are able to operate independently of our Single Largest Shareholder and his close associates.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function and making financial decisions based on our Group's needs. We are capable of obtaining financing from third parties, if necessary, without reliance on our Single Largest Shareholder and his close associates.

No loans or guarantees provided by, or granted to, our Single Largest Shareholder or his close associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Single Largest Shareholder and his close associates after the Listing.

DISCLOSURE UNDER RULE 8.10(1) OF THE LISTING RULES

Our Single Largest Shareholder confirms that, as of the Latest Practicable Date, none of our Single Largest Shareholder and his close associates have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10(1) of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Shareholder.

- (a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Shareholder or any of his associates has a material interest, our Single Largest Shareholder or his close associates will not vote on the relevant resolutions;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Single Largest Shareholder or any of his close associate, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Single Largest Shareholder and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Single Largest Shareholder will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Single Largest Shareholder, and to protect our minority Shareholders' interests after the Listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued under the Share Plans, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company that (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Interests in Shares of our Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding of the Shares in our Company after the Global Offering ⁽¹⁾
Mr. Shan	Beneficial interest ⁽²⁾	44,100,000	7.75%
	Beneficial interest ⁽²⁾	45,000,000	7.91%
	Others ⁽³⁾⁽⁷⁾⁽⁸⁾	79,276,415	13.93%
	Deemed interest ⁽⁵⁾	8,300,160	1.46%
Ms. Pan	Beneficial interest ⁽⁴⁾	8,300,160	1.46%
	Deemed interest ⁽⁵⁾	168,376,415	29.58%
Northern Light Partners IV L.P.	Interest in controlled corporations ⁽⁶⁾	55,700,778	9.79%
Northern Light Venture Fund IV, L.P.	Beneficial interest ⁽⁶⁾	50,815,819	8.93%
SummitView Capital (M&A)	Interest in controlled corporations ⁽⁹⁾	37,226,922	6.54%
Shanghai Youxin Investment Management Co., Ltd. (上海由芯投資管理有限公司)	Interest in controlled corporations ⁽⁹⁾	22,519,968	3.96%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding of the Shares in our Company after the Global Offering ⁽¹⁾
Shanghai Jixin Enterprise Management Limited Partnership (上海極芯企業管理合夥企業(有限合伙)) (“ Shanghai Jixin ”)	Beneficial interest ⁽⁹⁾	22,519,968	3.96%
Shanghai Jixin Enterprise Management Partnership (Limited Partnership) (上海霽信企業管理合夥企業(有限合伙))	Interest in controlled corporations ⁽⁹⁾	14,706,954	2.58%
Jiaxing Xincan Equity Investment Partnership (Limited Partnership) (嘉興信燦股權投資合夥企業(有限合伙)) (“ Jiaxing Xincan ”)	Beneficial interest ⁽⁹⁾	14,706,954	2.58%

Notes:

- (1) Based on the assumption that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans.
- (2) Mr. Shan directly holds 44,100,000 Shares in our Company. As of the Latest Practicable Date, Mr. Shan has been granted Options to subscribe for an aggregate of 45,000,000 Shares under the Pre-IPO Share Plan.
- (3) Pursuant to the respective voting trust agreements entered into by and among Mr. Shan, Mr. Liu, Ms. Pan, Ms. Wang, Mr. Xiong Chengyu and Mr. Gu Qun dated September 19, 2016, August 24, 2020, January 31, 2023 and January 29, 2024 (the “**Voting Trust Agreements**”), Mr. Shan shall be, at his sole discretion, entitled to exercise the voting rights attached to all Shares held by Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu and Mr. Gu Qun. The Voting Trust Agreements shall continue to be effective following completion of the Global Offering. Mr. Shan is Ms. Pan’s spouse and is hence also deemed to be interested in the 8,300,160 Shares of our Company held by Ms. Pan. Mr. Shan is therefore deemed to be interested in the total of 32,400,000 Shares held by Ms. Pan, Ruby Wealth, New Key Trade, Marvel Stars, Mr. Xiong Chengyu and Mr. Gu Qun pursuant to the Voting Trust Agreements (including the 8,300,160 Shares held by Ms. Pan in which Mr. Shan is deemed to be interested as Ms. Pan’s spouse). For details, see “History and Corporate Structure – Our Voting Rights Structure” in this Prospectus.
- (4) Ms. Pan directly holds 8,300,160 Shares in our Company.
- (5) Mr. Shan and Ms. Pan are spouses. Therefore, Ms. Pan is deemed to be interested in all of Mr. Shan’s interests in the Shares, i.e., a total of the 168,376,415 Shares, including the 8,300,160 Shares held by Ms. Pan (already set out in footnote 4 above), and Mr. Shan is deemed to be interested in Ms. Pan’s interest.
- (6) Northern Light Partners IV L.P. is the general partner of Northern Light Venture Fund IV, L.P., Northern Light Strategic Fund IV, L.P. and Northern Light Partners Fund IV, L.P., holding 50,815,819 Shares, 4,177,559 Shares and 707,400 Shares, respectively, as of the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

- (7) Excellent Ocean Trust is a trust with an independent professional trustee to manage the options granted to 12 grantees under the Pre-IPO Share Plan. Mr. Shan shall be entitled to exercise the voting rights attached to all Shares held by Excellent Ocean Trust at its sole discretion. For details of our voting rights structure, see “History and Corporate Structure – Our Voting Rights Structure”.
- (8) Mr. Shan shall be entitled to exercise the voting rights attached to the 22,689,107 Shares held by the 88 employees of the Group at its sole discretion. For details of our voting rights structure, see “History and Corporate Structure – Our Voting Rights Structure”.
- (9) The respective general partner of Shanghai Jixin and Jiaying Xincan, being Shanghai Youxin Investment Management Co., Ltd. (上海由芯投資管理有限公司) and Shanghai Jixin Enterprise Management Partnership (Limited Partnership) (上海霽信企業管理合夥企業(有限合夥)), are ultimately managed by SummitView Capital (M&A).

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued under the Share Plans), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and following the completion of the Global Offering.

1. Share capital as of the Latest Practicable Date

(i) Authorized share capital

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of authorized share capital of our Company (%)
Ordinary Shares	581,215,714	58,121.57	58.12
Series A Preferred Shares	71,000,000	7,100.00	7.10
Series A-1 Preferred Shares	42,388,282	4,238.83	4.24
Series B-1 Preferred Shares	54,977,656	5,497.77	5.50
Series B-2 Preferred Shares	6,000,000	600.00	0.60
Series B-3 Preferred Shares	24,557,864	2,455.79	2.46
Series B-4 Preferred Shares	23,959,003	2,395.90	2.40
Series B+ Preferred Shares	49,315,790	4,931.58	4.93
Series C Preferred Shares	75,780,089	7,578.01	7.58
Series C+ Preferred Shares	70,805,602	7,080.56	7.08
Total	1,000,000,000	100,000.00	100.00

SHARE CAPITAL

(ii) *Issued and to be issued, fully paid or credited to be fully paid*

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of issued share capital of our Company (%)
Ordinary Shares	117,876,415	11,787.64	22.15%
Series A Preferred Shares	71,000,000	7,100.00	13.34%
Series A-1 Preferred Shares	42,388,282	4,238.83	7.96%
Series B-1 Preferred Shares	54,977,656	5,497.77	10.33%
Series B-2 Preferred Shares	6,000,000	600.00	1.13%
Series B-3 Preferred Shares	24,557,864	2,455.79	4.61%
Series B-4 Preferred Shares	23,959,003	2,395.90	4.50%
Series B+ Preferred Shares	49,315,790	4,931.58	9.27%
Series C Preferred Shares	75,780,089	7,578.01	14.24%
Series C+ Preferred Shares	66,314,154	6,631.42	12.46%
Total	532,196,253	53,219.63	100.00

2. Share capital immediately following the completion of the Global Offering

(i) *Authorized share capital*

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of authorized share capital of our Company (%)
Ordinary Shares	1,000,000,000	100,000.00	100.00
Total	1,000,000,000	100,000.00	100.00

SHARE CAPITAL

- (ii) *Issued and to be issued, fully paid or credited to be fully paid (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon completion of the Global Offering and without taking into account any Shares that may further be issued under the Share Plans)*

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of issued share capital of our Company (%)
Ordinary Shares (issued and converted from Preferred Shares) immediately before the Global Offering	532,169,253	53,216.93	93.50
Ordinary Shares to be issued pursuant to the Global Offering	37,000,000	3,700.00	6.50
Total	569,169,253	56,916.93	100.00

- (iii) *Issued and to be issued, fully paid or credited to be fully paid (assuming the Offer Size Adjustment Option is not exercised but the Over-allotment Option is fully exercised, all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon completion of the Global Offering and without taking into account any Shares that may further be issued under the Share Plans)*

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of issued share capital of our Company (%)
Ordinary Shares (issued and converted from Preferred Shares) immediately before the Global Offering	532,169,253	53,216.93	92.60
Ordinary Shares to be issued pursuant to the Global Offering	37,000,000	3,700.00	6.44
Ordinary Shares to be issued pursuant to the exercise of the Over-allotment Option in full	5,550,000	555.00	0.97
Total	574,719,253	57,471.93	100.00

SHARE CAPITAL

- (iv) *Issued and to be issued, fully paid or credited to be fully paid (assuming the Offer Size Adjustment Option is fully exercised but the Over-allotment Option is not exercised, all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon completion of the Global Offering and without taking into account any Shares that may further be issued under the Share Plans)*

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of issued share capital of our Company (%)
Ordinary Shares (issued and converted from Preferred Shares) immediately before the Global Offering	532,169,253	53,216.93	92.60
Ordinary Shares to be issued pursuant to the Global Offering	37,000,000	3,700.00	6.44
Ordinary Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option in full	5,550,000	555.00	0.97
Total	574,719,253	57,471.93	100.00

- (v) *Issued and to be issued, fully paid or credited to be fully paid (assuming the Offer Size Adjustment Option and the Over-allotment Option are fully exercised, all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon completion of the Global Offering and without taking into account any Shares that may further be issued under the Share Plans)*

Description of Shares (US\$0.0001 par value each)	Number of Shares	Approximate aggregate nominal value of shares (US\$)	Approximate percentage of issued share capital of our Company (%)
Ordinary Shares (issued and converted from Preferred Shares) immediately before the Global Offering	532,169,253	53,216.93	91.58
Ordinary Shares to be issued pursuant to the Global Offering	37,000,000	3,700.00	6.37
Ordinary Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option in full	5,550,000	555.00	0.96
Ordinary Shares to be issued pursuant to the exercise of the Over-allotment Option in full	6,382,500	638.25	1.10
Total	581,101,753	58,110.18	100.00

SHARE CAPITAL

RANKING AND VOTING RIGHTS

All Preferred Shares will be converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering. The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this Prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Prospectus.

Upon Listing, each Share will entitle the holder to exercise one vote on resolutions in general meetings of the Company. For details of our voting rights structure prior to and immediately following the Global Offering, see “History and Corporate Structure – Our voting rights structure” and “History and Corporate Structure – Capitalization of our Company” to this Prospectus.

ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate and divide all or any of its share capital into shares of larger amount; (iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount or into shares without par value; (iv) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve fund by its shareholders passing a special resolution. See “Summary of the Constitution of the Company and Cayman Island Company Law – Summary of the Constitution of the Company – Articles of Association – Alteration of Capital” in Appendix III to this Prospectus for further details.

SHARE INCENTIVE SCHEMES

The Company has adopted the Share Plans. See “Statutory and General Information – D. Share Incentive Schemes” in Appendix IV to this Prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate, to allot, issue and deal with the Shares with a total nominal value of not more than the sum of:

- 20% the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option); and

SHARE CAPITAL

- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed “– General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the time when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See “Statutory and General Information – A. Further Information About Our Group – 4. Resolutions of the Shareholders of our Company dated July 26, 2024” in Appendix IV to this Prospectus for further details of the general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information – A. Further Information About Our Group – 5. Repurchase of Our Own Securities” in Appendix IV to this Prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

SHARE CAPITAL

- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the time when it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information – A. Further Information About Our Group – 4. Resolutions of the Shareholders of our Company dated July 26, 2024” in Appendix IV to this Prospectus for further details of the repurchase mandate.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares (rounded down to the nearest whole board lot of 100 Shares) that may be purchased at the Offer Price for an aggregate amount of US\$9.9 million (or approximately HK\$77.1 million) (the “**Cornerstone Investment**”). The calculations in this section, which are based on the exchange rates of US\$1.00 to HK\$7.8107, RMB0.9133 to HK\$1.00 and RMB7.1335 to US\$1.00, are only for illustration purpose. The final number of Shares to be subscribed by the Cornerstone Investors are subject to the exchange rate to be determined in accordance with the relevant Cornerstone Investment Agreements and will be set out in the allotment results announcement in respect of the Global Offering to be issued by the Company.

Assuming an Offer Price of HK\$28.00 (being the low-end of the indicative Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 2,736,000 Offer Shares, representing (a) approximately 7.39% of the Offer Shares offered pursuant to the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised); (b) approximately 0.48% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan); (c) approximately 0.48% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option is exercised in full and the Over-allotment Option is not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan); and (d) approximately 0.47% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan).

Assuming an Offer Price of HK\$29.15 (being the mid-point of the indicative Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 2,628,100 Offer Shares, representing (a) approximately 7.10% of the Offer Shares offered pursuant to the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised); (b) approximately 0.46% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan); (c) approximately 0.46% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option is exercised in full and the Over-allotment Option is not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without

CORNERSTONE INVESTORS

taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan); and (d) approximately 0.45% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan).

Assuming an Offer Price of HK\$30.30 (being the high-end of the indicative Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 2,528,300 Offer Shares, representing (a) approximately 6.83% of the Offer Shares offered pursuant to the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised); (b) approximately 0.45% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan); (c) approximately 0.44% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option is exercised in full and the Over-allotment Option is not exercised, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan); and (d) approximately 0.43% of our total issued share capital immediately upon completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, (ii) all Preferred Shares have been converted into Shares on a one-to-one basis, and (iii) without taking into account any Shares that may further be issued upon the exercise of options which have been granted under the Pre-IPO Share Plan).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with the Cornerstone Investors in its ordinary course of operation through the Group's business network or through the introduction by the Overall Coordinators in the Global Offering.

The Cornerstone Investment will form part of the International Offering, and the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules and in compliance with the requirement under Rule 8.08(3) of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company. The Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

CORNERSTONE INVESTORS

To the best knowledge of our Company, (i) each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive of our Company, the Single Largest Shareholder, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of Shares registered in its name or otherwise held by it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is directly or indirectly financed by our Company, the Directors, chief executive of our Company, the Single Largest Shareholder, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates. To the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

As confirmed by the Cornerstone Investors, its subscription under the Cornerstone Investment would be financed by its own internal resources. There are no side agreements or arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Investment, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the cornerstone investment.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering. If the total demand for Shares in the Hong Kong Public Offering falls within the circumstances as set out in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback” in this Prospectus, the number of Offer Shares to be subscribed by each Cornerstone Investor shall be reduced on a *pro rata* basis to satisfy the shortfall, after taking into account the requirements under Appendix F1 to the Listing Rules. Further, each of the Cornerstone Investors has agreed that in the event that the requirements under Rule 8.08(3) of the Listing Rules, which stipulates that no more than 50% of the Shares in public hands can be beneficially owned by the three largest public shareholders of the Company, may not be complied with on the Listing Date, the number of the Shares to be subscribed for by the Cornerstone Investors may be adjusted to ensure compliance with Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and the payment for the Offer Shares subscribed by the Cornerstone Investors will be settled and paid in full before dealings in the Offer Shares commence on the Stock Exchange.

CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

The information about the Cornerstone Investors sets forth below has been provided by the Cornerstone Investors.

1. Gardex Development Limited

Gardex Development Limited (“**Gardex Development**”) is a company incorporated under the laws of the Hong Kong, principally engaged in investment. Gardex Development is an indirect wholly-owned subsidiary of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (“**GAC Group**”), a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 2238) and the Shanghai Stock Exchange (stock code: 601238). No approval from the shareholders of GAC Group, the Hong Kong Stock Exchange or the Shanghai Stock Exchange is required for the relevant Cornerstone Investment.

2. Joyson Electronic USA LLC

Joyson Electronic USA LLC (“**Joyson Electronic USA**”) is a company incorporated under the laws of California, primarily focusing on investments. Joyson Electronic USA is a wholly-owned subsidiary of Ningbo Joyson Electronics Co., Ltd. (寧波均勝電子股份有限公司) (“**Joyson Electronics**”), a major supplier of components for automobile manufacturers whose shares are listed on the Shanghai Stock Exchange (stock code: 600699). Founded in 2004, Joyson Electronics is committed to the manufacture of intelligent cockpit, and the research and development on intelligent driving, e-mobility and automotive safety. Through leading innovative design, stable manufacturing, quality management and excellent service, Joyson Electronics has become a long-term partner of global automotive manufacturers. No approval from the shareholders of Joyson Electronics or the Shanghai Stock Exchange is required for the relevant Cornerstone Investment.

The table below sets forth details of the Cornerstone Investment:

Based on the Offer Price of HK\$28.00 (being the low-end of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽³⁾⁽⁴⁾	Percentage of total Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
				Percentage of total issued share capital immediately following completion of the Global Offering	Percentage of total issued share capital immediately following completion of the Global Offering
Gardex Development	HK\$53,715,000 (equivalent to approximately US\$6.9 million) ⁽¹⁾	1,899,200	5.13%	0.33%	4.46%
Joyson Electronic USA	US\$3 million ⁽²⁾	836,800	2.26%	0.15%	1.97%
Total	US\$9.9 million	2,736,000	7.39%	0.48%	6.43%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$28.00 (being the low-end of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is exercised in full

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽³⁾⁽⁴⁾	Percentage of total Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
				Percentage of total issued share capital immediately following completion of the Global Offering	Percentage of total issued share capital immediately following completion of the Global Offering
	HK\$53,715,000 (equivalent to approximately				
Gardex Development Joyson Electronic	US\$6.9 million ⁽¹⁾	1,899,200	4.46%	0.33%	3.88%
USA	US\$3 million ⁽²⁾	836,800	1.97%	0.15%	1.71%
Total	US\$9.9 million	2,736,000	6.43%	0.48%	5.59%

Based on the Offer Price of HK\$29.15 (being the mid-point of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽³⁾⁽⁴⁾	Percentage of total Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
				Percentage of total issued share capital immediately following completion of the Global Offering	Percentage of total issued share capital immediately following completion of the Global Offering
	HK\$53,715,000 (equivalent to approximately				
Gardex Development Joyson Electronic	US\$6.9 million ⁽¹⁾	1,824,300	4.93%	0.32%	4.29%
USA	US\$3 million ⁽²⁾	803,800	2.17%	0.14%	1.89%
Total	US\$9.9 million	2,628,100	7.10%	0.46%	6.18%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$29.15 (being the mid-point of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is exercised in full

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽³⁾⁽⁴⁾	Percentage of total Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
				Percentage of total issued share capital immediately following completion of the Global Offering	Percentage of total issued share capital immediately following completion of the Global Offering	
	HK\$53,715,000 (equivalent to approximately					
Gardex Development Joyson Electronic	US\$6.9 million ⁽¹⁾	1,824,300	4.29%	0.32%	3.73%	0.31%
USA	US\$3 million ⁽²⁾	803,800	1.89%	0.14%	1.64%	0.14%
Total	US\$9.9 million	2,628,100	6.18%	0.46%	5.37%	0.45%

Based on the Offer Price of HK\$30.30 (being the high-end of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽³⁾⁽⁴⁾	Percentage of total Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
				Percentage of total issued share capital immediately following completion of the Global Offering	Percentage of total issued share capital immediately following completion of the Global Offering	
	HK\$53,715,000 (equivalent to approximately					
Gardex Development Joyson Electronic	US\$6.9 million ⁽¹⁾	1,755,000	4.74%	0.31%	4.12%	0.31%
USA	US\$3 million ⁽²⁾	773,300	2.09%	0.14%	1.82%	0.13%
Total	US\$9.9 million	2,528,300	6.83%	0.45%	5.94%	0.44%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$30.30 (being the high-end of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is exercised in full

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽³⁾⁽⁴⁾	Percentage of total Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
				Percentage of total issued share capital immediately following completion of the Global Offering	Percentage of total issued share capital immediately following completion of the Global Offering
	HK\$53,715,000 (equivalent to approximately				
Gardex Development	US\$6.9 million ⁽¹⁾	1,755,000	4.12%	0.31%	3.59%
Joyson Electronic					
USA	US\$3 million ⁽²⁾	773,300	1.82%	0.13%	1.58%
Total	US\$9.9 million	2,528,300	5.94%	0.44%	5.17%

Notes:

- (1) Inclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.
- (2) Exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.
- (3) Calculated based on exchange rates of US\$1.00 to HK\$7.8107, RMB0.9133 to HK\$1.00 and RMB7.1335 to US\$1.00.
- (4) Subject to rounding down to the nearest whole board lot of 100 Shares.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

CORNERSTONE INVESTORS

- (ii) the Offer Price having been agreed upon between the Company and the Overall Coordinators (on behalf of the underwriters of the Global Offering);
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Investment) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountant's Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

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

OVERVIEW

We are an automotive-grade computing SoC and SoC-based intelligent vehicle solution provider. We started with and commercialized the Huashan Series high-computing power SoCs focusing on autonomous driving applications and recently introduced the Wudang Series cross-domain SoCs to expand from the core autonomous driving functions to cover more diverse and sophisticated demands for advanced functionalities of intelligent vehicles such as smart cockpit and automotive gateway, all achieved on a single SoC. Operating in the midstream of autonomous driving value chain as a Tier 2 supplier, we provide autonomous driving products and solutions in the form of bundled SoC-based solutions and algorithm-based solutions. In terms of shipment of automotive-grade high-computing power SoCs in 2023, we are the third largest provider globally, according to Frost & Sullivan.

We strategically prioritize L2 to L3 products at this stage, recognizing that product-market fit is crucial for commercial success. Based on our product excellence and customer recognition, we had design wins for 23 vehicle models with 16 automotive OEMs and Tier 1 suppliers, as of the Latest Practicable Date. We started mass-production of Huashan A1000/A1000L SoCs in 2022. We shipped a total of over 156,000 units of our SoC products as of March 31, 2024. In addition, we announced our Wudang Series cross-domain SoCs in April 2023, the first in the industry to integrate autonomous driving, smart cockpit, body control and other computational domains, according to Frost & Sullivan. Moreover, drawing from our proprietary IP algorithms accumulated in providing imaging solutions, we deliver intelligent imaging solutions that empower a broad range of devices to facilitate intelligent perception and content enhancement through algorithms. Our customer base grew from 45 in 2021 to 85 in 2023. We had 21 customers in the three months ended March 31, 2024. We had partnered with over 49 automotive OEMs and Tier 1 suppliers such as FAW Group, Dongfeng, JAC, HYCAN, ECARX, Baidu, Bosch, ZF Group and Marelli as of the Latest Practicable Date.

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We grew significantly during the Track Record Period. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, our revenue was RMB60.5 million, RMB165.4 million, RMB312.4 million, RMB29.3 million and RMB27.5 million, respectively. With mass production of our SoCs and continued iteration and advancement of our solutions, we expect to capture the vast market opportunities in the foreseeable future.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS, issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial instruments issued to investors, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant's Report included in Appendix I to this Prospectus.

The IASB has issued a number of new and revised IFRS during the Track Record Period. For the purpose of preparing our financial information, we have adopted all applicable new and revised IFRSs throughout the Track Record Period except for any new standards or interpretation that are not yet effective for the reporting period ended March 31, 2024.

These amendments did not have significant impact except amendment to IAS 1, "Classification of Liabilities as Current or Non-current", which has been applied throughout the Track Record Period. As at December 31, 2021, 2022 and 2023 and March 31, 2024, all the redeemable convertible preferred shares and convertible notes were classified as current liabilities. See Note 3.1(c) to the Accountant's Report included in Appendix I to this Prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of key factors, including the following:

Our ability to attract new customers and deepen relationships with existing customers

We provide automotive-grade SoCs and solutions ranging from L2 to L3 and beyond, supporting varied use cases. In addition, we deliver intelligent imaging solutions that empower a broad range of devices to facilitate intelligent perception and content enhancement through algorithms. Our management and sales team have extensive industry experience and profound knowledge, allowing us to build our brand and acquire customers in an effective manner. We participate in various events, such as exhibitions, live product launches and business updates, during which we communicate with business partners along the industry chain. We also collaborate with other business partners to conduct research projects, enabling us to reach out

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to various customers with relevant needs. We endeavor to maintain stable and long-term business relationships with our customers by delivering comprehensive, customer-centric services. We had continuously expanded our customer base during the Track Record Period, with the number of customers growing from 45 in 2021 to 85 in 2023. We had 21 customers in the three months ended March 31, 2024.

Our ability to achieve profitability ultimately depends on our customers' progress of developing, mass-producing and delivering vehicles and other devices to the end consumers. Based on our go-to-market strategy, we enter into long-term strategic partnership with our customers, which allows us to work closely with them at early stages of projects, and to timely iterate our products and solutions to fulfill the evolving needs of end consumers in line with the market trends. We plan to gain access to global markets and R&D resources through such partnership and cooperation, further expanding our presence in the intelligent vehicle industry.

Our product and solution portfolio

Our revenue grew significantly during the Track Record Period primarily due to the expansion of our product and solution offerings. We launched Huashan Series SoCs, along with a suite of hardware platforms, autonomous driving solutions and intelligent imaging solutions. We review our solution portfolio and customer base each time we complete an order, taking into account of our overall business strategies and market growth opportunities. We typically review the profitability and business prospects of our solutions, as well as financial status of the relevant customers and potential for future cooperation. As we expand the sales of our various autonomous driving products and solutions and enhance our brand recognition, we are able to develop and offer products and solutions with stronger capabilities, more functions and further customization for various types of vehicles. We announced the Wudang C1200 in April 2023, the first cross-domain computing SoC designed for intelligent vehicles in the China market. Going forward, we anticipate improving economies of scale as we expand operations, reducing costs and increasing adoption of our products across the industry.

We determine the pricing of our products and solutions based on market levels, project complexity, service scope and costs. Our SoC design enables high performance at low power consumption and cost, making our products and solutions an ideal, budget-friendly choice for mass-produced intelligent vehicles. However, automotive OEMs expect the selling prices of SoCs to decrease as sales volume increases, which could affect our gross profit margin. Therefore, our success will depend on our ability to expand our product and solution offerings in a cost-efficient manner and improve the quality and efficiency of our existing products and solutions.

Investment in technology leadership and product development.

Our ability to develop new technologies, design new products and solutions and enhance existing products and solutions is critical to our business operations. We offer comprehensive capabilities covering intelligent vehicle SoCs, support software, hardware and proprietary IP cores and algorithms, empowering us to integrate different components to launch our diversified and customer-centric products and offerings. We have developed and commercialized the core algorithms and technologies focusing on autonomous driving, smart

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cockpit and advanced imaging on intelligent vehicles and other devices. Our fully in-house developed technology portfolio allows us to optimize performance through software iterations, improving the development efficiency for our customers throughout the vehicle R&D stage.

We have made significant investments in our R&D activities during the Track Record Period as we believe that our R&D capabilities will be the main driving force for our long-term competitiveness and business prospects. Our research and development expenses increased from RMB595.4 million in 2021 to RMB764.1 million in 2022 and further to RMB1,362.5 million in 2023; our research and development expenses increased from RMB266.5 million in the three months ended March 31, 2023 to RMB339.4 million in the three months ended March 31, 2024. In addition, we have leveraged our domestic and overseas R&D centers to accumulate talents all over the world and develop advanced technologies. As of March 31, 2024, our research and development team consisted of 908 members, representing 86.3% of total employees as of the same date. Going forward, we will continue to invest in other proprietary automotive-grade SoCs with stronger capabilities, including our next-generation SoC, Huashan A2000, and our Wudang Series cross-domain SoCs. We also plan to further expand to wider fields of automotive-grade SoCs. Our ability to continuously develop and introduce new products and solutions that meet our customers' demands is subject to a number of risks and uncertainties, many of which are beyond our control. See "Risk Factors – Risks Relating to the Research and Development of our Products and Solutions – If we are unable to develop and introduce new products and solutions, our future business, results of operations, financial condition and competitive position would be materially and adversely affected."

Supply and production capacity

We operate on a fabless basis. As a result of the concentration on the upstream supply chain, we rely on our major suppliers and contract manufacturers for semiconductor fabrication, packaging and testing. Therefore, timely shipments of SoCs is critical to our business operations. Our ability to meet our customers' needs depend on the continued timely supply of raw materials, the availability of manufacturing capacity, and affordable packaging and testing services for mass production of chips. However, supply chain disruptions, shortage of raw materials and manufacturing limitations may result in delayed delivery, which in turn would lead to reduced or canceled orders. See "Risk Factors – Risks Relating to the Manufacturing of Our Products – We depend on TSMC to manufacture our SoCs." During the Track Record Period, we were not subject to shortages in the supply of raw materials from our major suppliers or disruptions in services provided by contract manufacturers. We do not anticipate any supply chain constraints that would materially and adversely affect our results of operations.

Our ability to maintain and improve operating efficiency.

Our profitability depends in part on our ability to manage costs and optimize our operating efficiency. As a result of our early efforts to develop and commercialize our intelligent vehicle SoCs, we incurred substantial costs in R&D, sales activities and internal management. Our operating expenses excluding share-based payment expenses decreased as a percentage of revenue from 1,068.0% in 2021 to 459.1% in 2022, and then to 436.1% in 2023, indicating improved operational efficiency.

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While we expect the absolute amounts of our research and development expenses, selling expenses and general and administrative expenses will continue to increase along with our business growth in the future, we are constantly improving our operating efficiency in various aspects. For instance, we have streamlined the project management process to enhance our R&D efficiency and reduce the time-to-market of products. Our sales team are well prepared to capture business opportunities based on customer demands, and are able to offer precise suggestions for product design and delivery, minimizing subsequent changes and rework in the production process. We have also improved our administrative management to reduce communication costs and improve collaboration efficiency. Moreover, as we ramp up production of our existing offerings and launch more products and solutions, we expect to benefit from economies of scale and further improve our operational efficiency.

General Factors

Our business and operating results are also affected by general factors affecting the automotive industry, which include:

- global demand for automotive vehicles;
- evolution and market acceptance of intelligent vehicle technologies;
- the competitive landscape; and
- relevant laws and regulations, governmental policies and initiatives.

IMPACT OF COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected the Chinese and global economy. The COVID-19 pandemic had resulted in adverse impacts on the downstream automotive OEMs, as their business activities including research and development, manufacturing and sales generally slowed down. The global supply shortage of raw materials and components, in particular the semiconductors for automotive production, had adversely affected OEMs' production schedule in the industry, resulting in delays in R&D and delivery of our products and solutions to certain of our customers. We had an increase in the procurement cost of SoCs and are still in the process of absorbing the impact of this cost increase on our inventory. However, our strategic approach to sourcing hardware components from suppliers across the country has ensured that our costs of materials remained relatively stable, allowing us to continue supporting our customers effectively through the Track Record Period.

From February 2022 to January 2023, we registered a total of approximately 14,000 person-days where employees requested to work remotely, and suspended certain on-site projects from time to time. We managed to mitigate the impact on our operations and performance by taking various measures, including temporarily closing our offices, facilitating remote work arrangements for research and development activities as well as supporting work. In addition, during the COVID-19 resurgence in 2022, we experienced certain disruptions in terms of our sales activities. As a result, there was a temporary delay in project delivery and

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an overall slowdown in customer engagement, which in turn affected our product commercialization and business expansion. We believe that our operational and financial performance was not materially affected, benefiting from our mitigation measures, as reflected by our revenue growth during the Track Record Period. As the COVID-19 pandemic has subsided since early 2023, our business and the operation had resumed to normal and we do not anticipate further adverse impact on our business and financial performance.

Save for the above, during the Track Record Period and up to the Latest Practicable Date, we had not experienced significant delay in projects, or material delay or impediment of our research and development, due to the COVID-19 pandemic.

Since December 2022, the restrictive measures have been generally eased. There remain uncertainties about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts in the future if the pandemic and the resulting disruption were to extend over a prolonged period. See “Risk Factors – Risks Relating to our General Operations – Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.”

MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL ESTIMATES AND JUDGMENT

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

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

Revenue recognition

Autonomous Driving Products and Solutions

We engage in provision of autonomous driving products and solutions, including sales of autonomous driving products and solutions, and provision of autonomous driving related software and hardware development services.

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Sales of autonomous driving products and solutions

Revenue generated from sales of autonomous driving products and solutions primarily includes autonomous driving SoCs, autonomous driving domain controllers and intelligent front cameras, which is recognized at the point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the product has been transferred to the customer, generally upon the acceptance of the products.

Provision of autonomous driving related software and hardware development services

We provide autonomous driving related software and hardware development services to our customers. Revenue is recognized when control over the customized software has been transferred to the customer. The customers cannot receive and consume the benefits simultaneously from us as well as control the customized software until the software is delivered to the customer. The customized software generally has no alternative use for us due to contractual restrictions. However, an enforceable right to payment does not arise until the customized software is transferred to customer. Therefore, revenue is recognized at a point in time when the customized software is passed to the customer.

We recognize an asset in relation to costs to fulfil our customized software development contracts. The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. The contract fulfilment costs are recorded as cost of sales when the customized software is passed to the customer and the revenue is recognized.

Intelligent Imaging Solutions

We provide intelligent imaging solutions that empower a broad range of devices to facilitate intelligent perception and content enhancement through algorithms.

License of software and algorithms

We license self-developed software and algorithms to customers. Given that we would not undertake activities that significantly affect the intellectual property to which the customer has rights, license of software and algorithms is accounted for as a right to use the intellectual property.

Revenue from license of software and algorithms is recognized at a point of time upon which the license is transferred to the licensee and the licensee is able to use and benefit from the license, because the licensee is able to direct the use of and obtain substantially all of the benefits from the license at the time that control of the license is transferred to the licensee.

For sales-based royalties that are attributable to a license of self-developed software and algorithms, related revenue is recognized at the later of: (i) when the subsequent sale or usage occurs; and (ii) the satisfaction or partial satisfaction of the performance obligation to which some or all of the sales-based royalty has been allocated.

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Sales of other products

Revenue generated from sales of other products is recognized at the point in time when the performance obligation under the contract is satisfied and control of the product has been transferred to the customer, generally upon the acceptance of the products.

Contract assets and liabilities

When either party to a contract has performed, we present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment. A contract asset is our right to consideration in exchange for services that we have transferred to a customer.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer goods or services to the customer, we have a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration from the customer. A receivable is recorded when we have 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.

Practical expedients and exemptions

We have elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of our contracts have duration of one year or less.

Financial instruments issued to investors

Financial instruments issued to investors consist of redeemable convertible preferred shares, warrants for purchase of ordinary shares, convertible notes, and commitment derivatives. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

Preferred Shares

We entered into a series of share purchase agreements with financial investors and issued Series A, A-1, B-1, B-2, B-3, B-4, B+, C and C+ Preferred Shares (collectively "**Preferred Shares**").

The Preferred Shares are redeemable upon occurrence of certain future events. These instruments shall be converted into our ordinary shares at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of our qualified initial public offering ("**Qualified IPO**").

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We designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive (loss)/income, except for the gains or losses arising from our own credit risk which are presented in OCI with no subsequent reclassification to the statement of profit or loss.

Warrants

We issued warrants under which the holders have the rights to subscribe for our ordinary shares or Preferred Shares at a predetermined price during a specific period.

Warrant liabilities are initially recognized at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Our warrant liabilities were classified as current liabilities, as these warrants may be exercised at the option of the holders at any time.

Convertible notes

Black Sesame Shanghai Co., Ltd (“Black Sesame Shanghai”), our wholly owned subsidiary, issued convertible notes to investors.

We designated our convertible notes as financial liabilities at fair value through profit or loss, which are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive (loss)/income. Subsequent to initial recognition, the convertible notes are carried at fair value with changes in fair value recognized in the profit or loss except for the portion attributed to the own credit risk presented in OCI.

Impairment of non-financial assets

Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell 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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

We operate in one business as a whole, focusing on the design, development, and implementation of intelligent vehicle SoC technology, and do not maintain manufacturing facilities or develop manufacturing capacity by ourselves. As of December 31, 2021, 2022 and 2023 and March 31, 2024, our non-financial assets, mainly including leased buildings, equipment and software held for our R&D activities and daily operations, were identified as one single cash generating unit (“CGU”) for impairment testing purpose. The recoverable amount of the CGU at the end of the reporting period had been determined based on value in use calculations, using cash flow projections based on management’s financial forecasts. Key

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assumptions applied in preparing the cash flow projections included revenue growth rate and pre-tax discount rate. Based on the result of the assessment, the recoverable amount exceeded the carrying amount of the CGU with sufficient headroom. Hence, no impairment of non-financial assets was recognized during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024.

Investments and other financial assets

Classification

We classify our financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on our 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 debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

We reclassify debt investments when and only when our business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which we commit 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 we have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, we measure 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 assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments:

- **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 gains/(losses) – net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement 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 gains or 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 and recognized in “other gains/(losses) – net”. 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 gains/(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 fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in “other gains/(losses) – net” in the period in which it arises.

Equity instruments

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other gains/(losses) – net” in the consolidated statement of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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Impairment

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

We assess on a forward-looking basis the expected credit losses associated with our debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and notes receivable, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1 to the Accountant's Report in Appendix I to this Prospectus for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, 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.

Critical Estimates and Judgments

Estimation of the fair value of financial instruments issued to investors

The financial instruments issued to investors are not traded in an active market and the respective fair value are determined by using valuation techniques. The discounted cash flow method was used to determine our total equity value. The option-pricing method, the equity allocation model and the forward pricing model was adopted to determine the fair value of the financial instruments.

Recognition of share-based payment expenses

We granted stock options to our employees. The fair value of the options granted is determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimate on assumptions in determining the fair value of the granted share options include risk-free interest rate, expected volatility and dividend yield.

Income taxes and deferred income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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We recognize deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognized in respect of these accumulated tax losses and other deductible temporary differences based on the fact that the future taxable profits would be uncertain.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of comprehensive (loss)/income for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(Unaudited)									
	(RMB in thousands, except for percentages)									
Revenue	60,504	100.0	165,442	100.0	312,391	100.0	29,256	100.0	27,473	100.0
Cost of sales	(38,632)	(63.9)	(116,811)	(70.6)	(235,248)	(75.3)	(23,793)	(81.3)	(10,737)	(39.1)
Gross profit	21,872	36.1	48,631	29.4	77,143	24.7	5,463	18.7	16,736	60.9
Research and development expenses	(595,380)	(984.0)	(764,075)	(461.8)	(1,362,531)	(436.2)	(266,483)	(910.9)	(339,379)	(1,235.3)
Selling expenses	(50,842)	(84.0)	(119,732)	(72.4)	(101,842)	(32.6)	(24,014)	(82.1)	(24,644)	(89.7)
General and administrative expenses	(111,703)	(184.6)	(215,239)	(130.1)	(318,975)	(102.1)	(61,084)	(208.8)	(90,299)	(328.7)
Net impairment losses on financial assets	(1,844)	(3.0)	(8,484)	(5.1)	(9,412)	(3.0)	(1,882)	(6.4)	(5,547)	(20.2)
Other income	18,113	29.9	15,361	9.3	22,531	7.2	12,770	43.6	5,937	21.6
Other (losses)/gains – net	(2,876)	(4.8)	(9,283)	(5.7)	(3,811)	(1.2)	4,521	15.5	(2,103)	(7.6)
Operating loss	(722,660)	(1,194.4)	(1,052,821)	(636.4)	(1,696,897)	(543.2)	(330,709)	(1,130.4)	(439,299)	(1,599.0)
Finance (costs)/income – net	(1,945)	(3.2)	13,934	8.5	23,039	7.4	4,592	15.6	8,474	30.7
Share of net loss of associates accounted for using the equity method	(722)	(1.2)	(987)	(0.6)	(1,441)	(0.5)	(248)	(0.8)	(1,961)	(7.1)
Fair value change in financial instruments issued to investors	(1,631,175)	(2,696.0)	(1,714,062)	(1,036.1)	(3,179,819)	(1,017.9)	(780,298)	(2,667.1)	1,636,088	5,955.3
(Loss)/profit before income tax	(2,356,502)	(3,894.8)	(2,753,936)	(1,664.6)	(4,855,118)	(1,554.2)	(1,106,663)	(3,782.7)	1,203,302	4,379.9
Income tax expense	-	-	-	-	-	-	-	-	-	-
(Loss)/profit for the year/period attributable to the equity holders of the Company	<u>(2,356,502)</u>	<u>(3,894.8)</u>	<u>(2,753,936)</u>	<u>(1,664.6)</u>	<u>(4,855,118)</u>	<u>(1,554.2)</u>	<u>(1,106,663)</u>	<u>(3,782.7)</u>	<u>1,203,302</u>	<u>4,379.9</u>

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Non-IFRS Measure

We define adjusted net loss (non-IFRS measure) as net loss for the year/period adjusted by adding back fair value change in financial instruments issued to investors and share-based payment expenses.

To supplement our consolidated financial statements, we also use adjusted net loss (non-IFRS measure) as 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 period to period and company to company by eliminating potential impacts of certain items. We believe this measure 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 as an analytical tool has limitations, 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.

The following table reconciles our adjusted net loss (non-IFRS measure) for the years or periods presented in accordance with IFRS, which is net loss for the year or period:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	% of		% of		% of		% of		% of	
	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue
	<i>(RMB in thousands, other than percentages)</i>									
	<i>(Unaudited)</i>									
Reconciliation of net (loss)/profit										
to adjusted net loss										
(non-IFRS measure)										
(Loss)/profit for the year/period	(2,356,502)	(3,894.8)	(2,753,936)	(1,664.6)	(4,855,118)	(1,554.2)	(1,106,663)	(3,782.7)	1,203,302	4,379.9
Add:										
Fair value change in financial instruments issued to investors ⁽¹⁾	1,631,175	2,696.0	1,714,062	1,036.1	3,179,819	1,017.9	780,298	2,667.1	(1,636,088)	(5,955.3)
Share-based payment expenses ⁽²⁾	111,744	184.7	339,544	205.2	421,052	134.8	80,722	276.0	113,135	411.9
Adjusted net loss										
(non-IFRS measure)	<u>(613,583)</u>	<u>(1,014.1)</u>	<u>(700,330)</u>	<u>(423.3)</u>	<u>(1,254,247)</u>	<u>(401.5)</u>	<u>(245,643)</u>	<u>(839.6)</u>	<u>(319,651)</u>	<u>(1,163.5)</u>

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Notes:

- (1) Fair value change in financial instruments issued to investors represents (i) redeemable convertible preferred shares, (ii) warrants for purchase of ordinary shares, (iii) convertible notes, and (iv) commitment derivatives. We do not expect to record any further fair value changes in financial instruments issued to investors as (i) preferred shares liabilities will be redesignated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing; (ii) convertible notes had been converted to preferred shares liabilities as of March 31, 2024; (iii) warrant liabilities had been settled as of March 31, 2024; and (iv) commitment derivatives had been converted to preferred shares liabilities as of March 31, 2024.
- (2) Share based payment expenses mainly represent the non-cash employee benefit expenses incurred in connection with our award to management and key employees. Such expenses in any specific period are not expected to result in future cash payments.

Revenue

During the Track Record Period, we primarily derived revenue from sales of our autonomous driving products and solutions. Our autonomous driving products and solutions comprise mainly software and hardware integrated solutions and, to a lesser extent, software-based solutions. We generated substantially all of our revenue from the PRC during the Track Record Period.

The table below sets forth our revenue breakdown by products and solutions in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>(RMB in thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Autonomous driving products and solutions	34,261	56.6	142,282	86.0	276,318	88.5	22,666	77.5	23,581	85.8
– SoC-based solutions	1,615	2.6	85,377	51.6	193,613	62.0	10,553	36.1	16,235	59.1
– Algorithm-based solutions	32,646	54.0	56,905	34.4	82,705	26.5	12,113	41.4	7,346	26.7
Intelligent imaging solutions	26,243	43.4	23,160	14.0	36,073	11.5	6,590	22.5	3,892	14.2
Total	<u>60,504</u>	<u>100.0</u>	<u>165,442</u>	<u>100.0</u>	<u>312,391</u>	<u>100.0</u>	<u>29,256</u>	<u>100.0</u>	<u>27,473</u>	<u>100.0</u>

Autonomous Driving Products and Solutions

We engage in provision of autonomous driving products and solutions, including standalone and integrated autonomous driving SoCs, as well as autonomous driving software and/or hardware enabling L2 to L3 automotive automation. Revenue generated from our autonomous driving products and solutions contributed a significant proportion of our total revenue, accounting for 56.6%, 86.0%, 88.5%, 77.5% and 85.8% of the total revenue in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The significant growth in 2022 was contributable to our increased sales volume of products and solutions and the mass-production of our proprietary SoCs in late 2022.

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We mainly generate revenue from the sales to automotive OEMs and Tier 1 suppliers of passenger vehicles and commercial vehicles, who incorporate our products into vehicles. We tend to build close relationships with automotive OEMs and Tier 1 suppliers, as our products are of intricate and customized nature and require rigorous product validation before integration into the vehicles. In addition, we deliver our self-developed add-on adaptive safety system to certain Tier 1 suppliers of advanced driver-assistance systems (ADAS) that can be installed in most vehicles. We also offer autonomous driving platform research and development services that meet our customers' product framework and technical solution requirements.

During the Track Record Period, we offered our autonomous driving products and solutions in two categories: (i) SoC-based autonomous driving solutions that incorporate our SoCs and include software and third-party MCUs; and (ii) algorithm-based autonomous driving solutions that are primarily constructed using third-party MCUs embedded with our algorithms. We had an overall increase in the revenue contribution by SoC-based autonomous driving solutions as we continued to commercialize and expand our SoC-based products and solutions, and started mass production of Huashan A1000 Series in 2022.

We price our SoC-based solutions mainly based on factors such as the maximum number of sensors supported by SoCs and the complexity of algorithms provided, resulting in varied prices for different customers. In addition, we adopt tiered pricing based on procurement amount, taking into consideration factors including the costs, pricing of major competitors and long-term business relationship with specific customers. As a result, the average selling price of our SoC-based solutions fluctuated during the Track Record period. In 2021, 2022, 2023 and the three months ended March 31, 2024, the price of our SoC-based solutions ranged from below RMB20,000 to above RMB100,000, below RMB2,000 to above RMB100,000, below RMB1,000 to above RMB10,000 and below RMB1,000 to above RMB10,000, respectively. The fluctuation was mainly due to our sales gradually transitioning from prototypes for early customers to mass produced solutions for a large customer base.

Intelligent Imaging Solutions

We provide intelligent imaging solutions that empower a broad range of devices to facilitate intelligent perception and content enhancement through algorithms. We primarily collect fees from licensing our proprietary IP algorithms to corporate customers. Revenue from our intelligent imaging solutions business amounted to RMB26.2 million, RMB23.2 million, RMB36.1 million, RMB6.6 million and RMB3.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. See “– Period-to-Period Comparison of Results of Operations” for details.

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Cost of Sales

Our cost of sales primarily comprises (i) material and processing costs, which primarily represent the cost of materials and consumables, mainly including sensors, electronic components, printed circuit boards and semiconductors, and, to a lesser extent, costs for packaging and testing services; (ii) employee compensation expenses, mainly representing the wages and benefits of our personnel for software tuning, algorithm development and on-site technical services; and (iii) inventory provision. We generally engage more workforce for tuning and testing during the early stages of software development for both autonomous driving products and solutions and intelligent imaging solutions business.

The following table sets forth the breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	2021		Year ended December 31,				Three months ended March 31,			
	Amount	%	2022	2023	2023	2024	2023	2024	2023	2024
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Material and processing costs	35,710	92.4	109,765	94.0	197,585	83.9	23,701	99.6	9,313	86.7
Employee compensation expenses	2,922	7.6	7,046	6.0	19,427	8.3	92	0.4	148	1.4
Inventory provision	-	-	-	-	18,236	7.8	-	-	1,276	11.9
Total	38,632	100.0	116,811	100.0	235,248	100.0	23,793	100.0	10,737	100.0

Our material and processing costs significantly increased from RMB35.7 million in 2021 to RMB109.8 million in 2022, and further to RMB197.6 million in 2023. The overall increase was primarily due to the increasing purchase of materials as a result of our growing sales of autonomous driving products and solutions. Our material and processing costs decreased from RMB23.7 million in the three months ended March 31, 2023 to RMB9.3 million in the three months ended March 31, 2024, primarily due to a decrease in procurement of hardware components. Our employee compensation expenses increased from RMB2.9 million in 2021 to RMB7.0 million in 2022 and to RMB19.4 million in 2023; our employee compensation expenses increased from RMB92 thousand in the three months ended March 31, 2023 to RMB148 thousand in the three months ended March 31, 2024.

We recorded inventory provision in 2023 and the three months ended March 31, 2024 primarily because we incurred relatively higher costs for semiconductor packaging and testing services at the ramp-up stage of our business. We subsequently offered the SoCs for Geely's vehicle models at favorable prices, as we have been collaborating with Geely since the early stage of our commercialization, in expectation of long-term collaboration. As a result, certain orders of the SoC-based solutions were priced below the cost in expectation of broader commercial opportunities of our SoC-based solutions on more vehicle models in the future, and we made inventory provision in line with the decreased net realizable value. See “– Discussion of Key Items of Consolidated Statements of Financial Position – Inventories.”

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The following table sets forth a breakdown of our cost of sales by products and solutions in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,		2022		2023		Three months ended March 31,		2024	
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving products and solutions	27,882	72.2	107,898	92.4	217,264	92.4	19,753	83.0	10,602	98.7
– SoC-based solutions	273	0.7	57,423	49.2	147,646	62.8	9,220	38.8	4,172	38.9
– Algorithm-based solutions	27,609	71.5	50,475	43.2	69,618	29.6	10,533	44.2	6,430	59.8
Intelligent imaging solutions	10,750	27.8	8,913	7.6	17,984	7.6	4,040	17.0	135	1.3
Total	38,632	100.0	116,811	100.0	235,248	100.0	23,793	100.0	10,737	100.0

Our cost of sales for autonomous driving products and solutions amounted to RMB27.9 million, RMB107.9 million, RMB217.3 million, RMB19.8 million and RMB10.6 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. This was generally in line with our revenue from autonomous driving products and solutions during the Track Record Period. Meanwhile, our cost of sales for intelligent imaging solutions amounted to RMB10.8 million, RMB8.9 million and RMB18.0 million in 2021, 2022 and 2023, respectively, corresponding to the revenue. Our cost of sales for intelligent imaging solutions decreased from RMB4.0 million in the three months ended March 31, 2023 to RMB0.1 million in the three months ended March 31, 2024, primarily because we generated an increased percentage of revenue from the licensing of self-developed software and algorithms, which do not require hardware components.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of revenue, or gross profit margin, by products and solutions for the periods indicated:

	Year ended December 31,		2022		2023		Three months ended March 31,		2024	
	2021		2022		2023		2023		2024	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving products and solutions	6,379	18.6	34,384	24.2	59,054	21.4	2,913	12.9	12,979	55.0
– SoC-based solutions	1,342	83.1	27,954	32.7	45,967	23.7	1,333	12.6	12,063	74.3
– Algorithm-based solutions	5,037	15.4	6,430	11.3	13,087	15.8	1,580	13.0	916	12.5
Intelligent imaging solutions	15,493	59.0	14,247	61.5	18,089	50.1	2,550	38.7	3,757	96.5
Total	21,872	36.1	48,631	29.4	77,143	24.7	5,463	18.7	16,736	60.9

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Our gross profit increased from RMB21.9 million in 2021 to RMB48.6 million in 2022, and further to RMB77.1 million in 2023; our gross profit increased from RMB5.5 million in the three months ended March 31, 2023 to RMB16.7 million in the three months ended March 31, 2024. Our gross profit margin decreased from 36.1% in 2021 to 29.4% in 2022 and further to 24.7% in 2023, primarily attributable to the growing revenue contribution from autonomous driving products and solutions, which involve more hardware components and generally entail comparatively lower gross profit margin. Our gross profit margin increased from 18.7% in the three months ended March 31, 2023 to 60.9% in the three months ended March 31, 2024, primarily attributable to (i) an increase in gross profit margin for autonomous driving products and solutions due to the significant increase in gross profit margin for SoC-based solutions, as our autonomous driving algorithms integrated in SoC-based solutions, having been refined and verified for mass production during the commercialization process, enabled our customers to choose solutions with fewer hardware components based on their needs; and (ii) an increase in gross profit margin for intelligent imaging solutions business due to an increased percentage of revenue from the licensing of self-developed software and algorithms, which do not require investment in hardware components and entail higher gross profit margin.

During the Track Record Period, we strategically upgraded our solutions and had a growing portion of revenue contribution from SoC-based solutions, which incorporate our SoCs with software and hardware components, bringing higher value to customers and generating a higher gross profit margin than original algorithm-based solutions. Our gross profit margin for autonomous driving products and solutions increased from 18.6% in 2021 to 24.2% in 2022, mainly attributable to our pricing for solutions in light of customers' more sophisticated demands, adjustment of solution portfolio, and mass production and delivery of our proprietary SoCs. Meanwhile, we had a decrease trend in the gross profit margin of SoC-based solutions, which decreased from 83.1% in 2021 to 32.7% in 2022, primarily due to the change in price range of SoC-based solutions as our sales gradually transitioned from prototypes for early customers to mass produced solutions for a large customer base. See “– Revenue.” Our gross profit margin for autonomous driving products and solutions decreased from 24.2% in 2022 to 21.4% in 2023, of which the gross profit margin of SoC-based solutions decreased from 32.7% in 2022 to 23.7% in 2023, primarily due to the inventory provision in relation to SoC-based solutions in line with the decreased net realizable value. See “– Cost of Sales.” Our gross profit margin for autonomous driving products and solutions increased from 12.9% in the three months ended March 31, 2023 to 55.0% in the three months ended March 31, 2024, of which the gross profit margin of SoC-based solutions increased from 12.6% in the three months ended March 31, 2023 to 74.3% in the three months ended March 31, 2024.

Our gross profit margin for intelligent imaging solutions remained stable in 2021 and 2022, being 59.0% and 61.5%, respectively, and then decreased to 50.1% in 2023, primarily due to the increased revenue contribution of hardware products with our proprietary algorithms embedded, which involves more hardware components and generally resulting in lower gross profit margin. Our gross profit margin for intelligent imaging solutions business increased from 38.7% in the three months ended March 31, 2023 to 96.5% in the three months ended March 31, 2024.

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Research and Development Expenses

Our research and development expenses primarily comprise (i) employee compensation expenses for our research and development personnel (including share-based payment expenses), (ii) IP licensing fees, representing the procurement of IP cores for certain support modules in the SoCs to facilitate an efficient chip design process, (iii) product design and development expenses, (iv) outsourced R&D expenses, (v) depreciation and amortization, and others. Historically, we have made significant investments in our research and development activities as we continued to develop autonomous driving products and solutions, expanded our research and development team and procured relevant intellectual property rights. During the Track Record Period, substantially all of our research and development expenses were incurred for both autonomous driving products and solutions and intelligent imaging solutions. We do not capitalize R&D expenses nor allocate them by products.

The table below sets forth a breakdown of our research and development expenses for the periods indicated:

	2021		Year ended December 31,				Three months ended March 31,			
	Amount	%	2022	%	2023	%	2023	%	2024	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Employee compensation expenses	309,714	52.0	621,130	81.3	933,942	68.5	200,403	75.2	240,977	71.0
Product design and development expenses	45,540	7.7	56,702	7.4	245,526	18.0	24,296	9.1	53,935	15.9
Outsourced R&D expenses	14,525	2.4	17,021	2.2	36,552	2.7	12,271	4.6	12,260	3.6
IP licensing fees	210,061	35.3	33,792	4.4	69,663	5.1	16,728	6.3	8,420	2.5
Depreciation and amortization	14,430	2.4	30,230	4.0	62,237	4.6	10,183	3.8	20,717	6.1
Other expenses	1,110	0.2	5,200	0.7	14,611	1.1	2,602	1.0	3,070	0.9
Total	595,380	100.0	764,075	100.0	1,362,531	100.0	266,483	100.0	339,379	100.0

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We have categorized our R&D expenses into autonomous driving related, intelligent imaging related and fundamental AI technologies. Fundamental AI technologies are basic research and results contributing to the R&D of autonomous driving and intelligent imaging. R&D of autonomous driving and intelligent imaging related technologies also help advance the development of each other. For example, the development of image processing in autonomous driving and intelligent imaging is different. If there is breakthrough in one field, R&D team in the other will continue building on the breakthrough to upgrade technologies. Therefore, we match the R&D departments to the most relevant R&D categories, and expenses of the departments are summed up and attributed to the corresponding categories. However, since the functions of the departments are intersected and the R&D results and experiences are also shared with each other, the categorization of R&D expenses is for reference only. Autonomous driving related expenses mainly include expenses incurred for SoC design and autonomous driving related algorithms. Intelligent imaging related expenses mainly include expenses incurred for development of AI-empowered image enhancement technologies. Fundamental AI technology expenses mainly include expenses incurred for AI technologies shared by both business lines such as neural network, computer vision and IP core research.

	Years ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	<i>(RMB in millions)</i>				
	<i>(Unaudited)</i>				
Autonomous Driving	302.5	396.9	893.6	149.1	215.1
Intelligent Imaging	36.3	47.8	51.4	12.1	12.1
Fundamental AI Technologies	256.6	319.4	417.5	105.3	112.2
Total	595.4	764.1	1,362.5	266.5	339.4

Selling Expenses

Our selling expenses primarily comprise (i) employee compensation expenses, which represent wages and benefits for our sales personnel (including share-based payment expenses), and (ii) marketing expenses. Our selling expenses amounted to RMB50.8 million, RMB119.7 million, RMB101.8 million, RMB24.0 million and RMB24.6 million, accounting for 84.0%, 72.4%, 32.6%, 82.1% and 89.7% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The fluctuations in our selling expenses were mostly attributable to the share-based payment to our sales staff of RMB13.8 million, RMB78.4 million, RMB47.8 million, RMB10.4 million and RMB12.8 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. In addition, we had an increase in marketing expenses in 2023 primarily due to our increased offline sales and marketing activities. We expect the absolute amounts of our selling expenses (excluding share-based compensation) will increase along our business growth in the future. However, as we expand the scale and scope of our business and autonomous driving products and solutions, we expect to make continuous improvement to our selling efficiency.

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The table below sets forth a breakdown of the components of our selling expenses for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Employee compensation expenses	36,457	71.7	106,966	89.3	77,860	76.5	19,433	80.9	18,856	76.5
Marketing expenses	9,393	18.5	6,211	5.2	16,004	15.7	2,662	11.1	3,951	16.0
Depreciation and amortization	171	0.3	96	0.1	278	0.3	34	0.1	29	0.1
Traveling	1,963	3.9	2,083	1.7	2,967	2.9	527	2.2	877	3.6
Other expenses ⁽¹⁾	2,858	5.6	4,376	3.7	4,733	4.6	1,358	5.7	931	3.8
Total	50,842	100.0	119,732	100.0	101,842	100.0	24,014	100.0	24,644	100.0

Note:

(1) Other expenses mainly include business entertainment expenses.

General and Administrative Expenses

Our general and administrative expenses primarily comprise (i) employee compensation expenses, which mainly represent wages and benefits for our administrative personnel (including share-based payment expenses), (ii) depreciation and amortization, (iii) office and traveling expenses, (iv) short-term lease expenses, and (v) consultation expenses primarily for external professional services, including financial advisory and patent registration, among others. Our general and administrative expenses amounted to RMB111.7 million, RMB215.2 million, RMB319.0 million, RMB61.1 million and RMB90.3 million, accounting for 184.6%, 130.1%, 102.1%, 208.8% and 328.7% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. The increase in our general and administrative expenses during the Track Record Period was primarily attributable to our growing employee compensation expenses, as well as depreciation and amortization, resulting from an increase in the number of administrative staff and leased offices to support our business growth. The increase in our general and administrative expenses in 2023 was also attributable to the significant increase in our listing expenses.

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The table below sets forth a breakdown of the components of our general and administrative expenses for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>(RMB in thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Employee compensation expenses	75,504	67.6	155,975	72.5	221,947	69.6	39,101	64.0	66,009	73.1
Depreciation and amortization	6,146	5.5	19,388	9.0	24,027	7.5	6,021	9.9	7,192	8.0
Office and traveling expenses	8,967	8.0	11,185	5.2	22,321	7.0	4,528	7.4	5,534	6.1
Short-term lease expenses	1,659	1.5	6,908	3.2	6,140	1.9	1,337	2.2	1,554	1.7
Consultation expenses	10,261	9.2	6,730	3.1	9,467	3.0	1,174	1.9	2,884	3.2
Other expenses	9,166	8.2	15,053	7.0	35,073	11.0	8,923	14.6	7,126	7.9
Total	111,703	100.0	215,239	100.0	318,975	100.0	61,084	100.0	90,299	100.0

Note:

(1) Other expenses mainly include recruiting expenses and listing expenses, among others.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets primarily represent provision of trade and notes receivables, which mainly relate to the amounts due from customers for our autonomous driving products and solutions. We recorded impairment losses on financial assets of RMB1.8 million, RMB8.5 million, RMB9.4 million, RMB1.9 million and RMB5.5 million in 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, respectively. The increase in the impairment losses on financial assets was primarily due to the increase in our provision for trade and notes receivables driven by the increase in trade and notes receivables balance due from our customers. See “– Discussion of Key Items of Consolidated Statements of Financial Position – Trade and Notes Receivables” for details.

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Other Income

Our other income, mainly representing government grants for our business operation and borrowings and interests forgiven by the U.S. government, amounted to RMB18.1 million, RMB15.4 million, RMB22.5 million, RMB12.8 million and RMB5.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively.

Government grants mainly consist of non-recurring financial assistance from government authorities, include (i) grants to encourage development of autonomous driving technology, (ii) compensation for R&D expenditure, and (iii) subsidies for our business operation. We recognize certain financial assistance as government grants in other income only when we satisfy the applicable contractual obligations or conditions, such as compliance with financial incentive agreements or relevant government policies. There are no unfulfilled conditions or contractual obligations relating to our recognized government grants during the Track Record Period.

Other (Losses)/Gains – Net

Our net (losses)/gains primarily comprise (i) net fair value gains on financial assets at fair value through profit or loss, mainly representing our investment in Treasury bonds and money market funds, (ii) net foreign exchange (losses)/gains, and (iii) donations. The following table sets forth a breakdown of the components of our other net (losses)/gains for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Gains on financial assets at FVPL	–	9,659	12,129	6,391	105
Net foreign exchange (losses)/gains	(1,408)	(18,620)	(15,113)	(1,341)	(866)
Donation	(814)	(639)	(510)	(10)	–
Others	(654)	317	(317)	(519)	(1,342)
Total	<u>(2,876)</u>	<u>(9,283)</u>	<u>(3,811)</u>	<u>4,521</u>	<u>(2,103)</u>

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Finance (Costs)/Income – Net

Our finance income primarily consists of interest income on cash at bank. Our finance costs primarily consist of interest expenses on bank borrowings and on lease liabilities.

The table below sets forth a breakdown of our finance (costs)/income for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Finance income:					
Interest income on cash at bank	375	16,141	25,902	5,221	9,509
Others	66	461	514	126	133
	<u>441</u>	<u>16,602</u>	<u>26,416</u>	<u>5,347</u>	<u>9,642</u>
Finance costs:					
Interest expenses on bank borrowings	(1,871)	(1,189)	(311)	(177)	(66)
Interest expenses on lease liabilities	(515)	(1,479)	(1,817)	(469)	(713)
Others ⁽¹⁾	–	–	(1,249)	(109)	(389)
	<u>(2,386)</u>	<u>(2,668)</u>	<u>(3,377)</u>	<u>(755)</u>	<u>(1,168)</u>
Finance (costs)/ income – net	<u><u>(1,945)</u></u>	<u><u>13,934</u></u>	<u><u>23,039</u></u>	<u><u>4,592</u></u>	<u><u>8,474</u></u>

Note:

(1) Other finance costs mainly represent the interest expenses relating to long-term payables.

Fair value change in financial instruments issued to investors

We had fair value losses in financial instruments issued to investors of RMB1,631.2 million and RMB1,714.1 million in 2021 and 2022, respectively, primarily representing changes in fair value of (i) preferred shares, resulting from the increase in fair value of the equity interests with preferred rights held by our investors, (ii) warrant liabilities, (iii) convertible notes and (iv) commitment derivatives. We had fair value losses in financial instruments issued to investors of RMB3,179.8 million and RMB780.3 million in 2023 and the three months ended March 31, 2023, primarily representing changes in fair value of preferred shares, resulting from the increase in fair value of the equity interests with preferred rights held by our investors. We had fair value gains in financial instruments issued to investors of RMB1,636.1 million in the three months ended March 31, 2024, primarily representing changes in fair value of preferred shares.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 Compared with Three Months Ended March 31, 2023

Revenue

Our total revenue decreased by 6.1% from RMB29.3 million in the three months ended March 31, 2023 to RMB27.5 million in the three months ended March 31, 2024, primarily attributable to the decrease in revenue from intelligent imaging solutions.

Autonomous Driving Products and Solutions

Our revenue from autonomous driving products and solutions increased from RMB22.7 million in the three months ended March 31, 2023 to RMB23.6 million in the three months ended March 31, 2024. This was primarily due to the increase in revenue from SoC-based solutions attributable to our increased sales to existing customers as we continuously improved our autonomous driving solutions, which was partially offset by a decrease in revenue from algorithm-based solutions attributable to the Chinese New Year holiday occurring later in 2024 compared to 2023, postponing procurement for certain customers.

Intelligent Imaging Solutions

Our revenue from intelligent imaging solutions decreased by 40.9% from RMB6.6 million in the three months ended March 31, 2023 to RMB3.9 million in the three months ended March 31, 2024. This was primarily due to changes in customer procurement scheduling resulting from delays in the projects of their downstream customers.

Cost of sales

Our cost of sales decreased by 54.9% from RMB23.8 million in the three months ended March 31, 2023 to RMB10.7 million in the three months ended March 31, 2024, primarily representing the decrease in cost of sales for both autonomous driving products and solutions and intelligent imaging solutions.

Autonomous Driving Products and Solutions

The cost of sales for autonomous driving products and solutions decreased from RMB19.8 million in the three months ended March 31, 2023 to RMB10.6 million in the three months ended March 31, 2024, primarily attributable to a decrease in material and processing costs, as we delivered SoC-based solutions that incorporated software algorithms and relatively fewer hardware components.

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Intelligent Imaging Solutions

The cost of sales for intelligent imaging solutions decreased from RMB4.0 million in the three months ended March 31, 2023 to RMB0.1 million in the three months ended March 31, 2024, primarily because we generated an increased percentage of revenue from the licensing of self-developed software and algorithms, which do not require hardware components.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 206.4% from RMB5.5 million in the three months ended March 31, 2023 to RMB16.7 million in the three months ended March 31, 2024. Our gross profit margin for autonomous driving products and solutions increased from 12.9% in the three months ended March 31, 2023 to 55.0% in the three months ended March 31, 2024, primarily attributable to the significant increase in gross profit margin for SoC-based solutions, as our autonomous driving algorithms integrated in SoC-based solutions, having been refined and verified for mass production during the commercialization process, enabled our customers to choose solutions with fewer hardware components based on their needs. Our gross profit margin for intelligent imaging solutions business increased from 38.7% in the three months ended March 31, 2023 to 96.5% in the three months ended March 31, 2024, primarily due to an increased percentage of revenue from the licensing of self-developed software and algorithms, which do not require hardware components and entail higher gross profit margin. As a result of the foregoing, our overall gross profit margin increased from 18.7% in the three months ended March 31, 2023 to 60.9% in the three months ended March 31, 2024.

Research and Development Expenses

Our R&D expenses increased by 27.4% from RMB266.5 million in the three months ended March 31, 2023 to RMB339.4 million in the three months ended March 31, 2024, primarily due to an increase in (i) employee compensation expenses as we expanded our R&D team and incurred share-based payment expenses; (ii) product design and development expenses as we procured certain non-core and less sophisticated algorithms from third parties to enrich our solutions and improve R&D efficiency; and (iii) depreciation and amortization, resulting from an increase in our R&D equipment.

Selling Expenses

Our selling expenses remained relatively stable at RMB24.0 million and RMB24.6 million in the three months ended March 31, 2023 and 2024.

General and Administrative Expenses

Our general and administrative expenses increased by 47.8% from RMB61.1 million in the three months ended March 31, 2023 to RMB90.3 million in the three months ended March 31, 2024, primarily due to (i) an increase in the number of administrative staff and leased offices to support our business growth; and (ii) the share-based payment of RMB46.8 million.

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Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB1.9 million in the three months ended March 31, 2023 to RMB5.5 million in the three months ended March 31, 2024, primarily due to the increase in our provision for trade and notes receivables in line with the general aging of those receivables.

Other Income

Our other income decreased from RMB12.8 million in the three months ended March 31, 2023 to RMB5.9 million in the three months ended March 31, 2024, primarily relating to a decrease in government grants related to our research and development activities.

Other (Losses)/Gains – Net

We recorded other gains of RMB4.5 million and other losses of RMB2.1 million in the three months ended March 31, 2023 and 2024, respectively, primarily due to a decrease of RMB6.3 million in gains on financial assets at fair value through profit and loss in the three months ended March 31, 2024.

Finance Income – Net

Our finance income increased from RMB4.6 million in the three months ended March 31, 2023 to RMB8.5 million in the three months ended March 31, 2024, primarily due to an increase in interest income on cash at bank.

Fair Value Change in Financial Instruments Issued to Investors

We recorded fair value loss in financial instruments issued to investors of RMB780.3 million in the three months ended March 31, 2023 and fair value gain of RMB1,636.1 million in the three months ended March 31, 2024, primarily due to a change in fair value of the equity interests with preferred rights held by our investors.

Profit/(loss) for the Period

As a result of the foregoing, we had a profit of RMB1,203.3 million in the three months ended March 31, 2024 compared to a loss of RMB1,106.7 million in the three months ended March 31, 2023.

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Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our total revenue increased by 88.8% from RMB165.4 million in 2022 to RMB312.4 million in 2023, primarily attributable to the increase in revenue from autonomous driving products and solutions.

Autonomous Driving Products and Solutions

Our revenue from autonomous driving products and solutions increased by 94.2% from RMB142.3 million in 2022 to RMB276.3 million in 2023. This was primarily due to (i) our increased sales to existing customers as we continuously improved our autonomous driving solutions, and (ii) our increased sales of algorithm-based solutions as we expanded into smart transportation market. We delivered over 127,000 units of A1000 Series SoCs in 2023.

Intelligent Imaging Solutions

Our revenue from intelligent imaging solutions increased by 55.8% from RMB23.2 million in 2022 to RMB36.1 million in 2023. This was primarily due to our increased sales to selected quality customers.

Cost of sales

Our cost of sales increased by 101.4% from RMB116.8 million in 2022 to RMB235.2 million in 2023, primarily representing the increase of cost of sales in autonomous driving products and solutions and the inventory provision in relation to chips.

Autonomous Driving Products and Solutions

The cost of sales for autonomous driving products and solutions increased from RMB107.9 million in 2022 to RMB217.3 million in 2023, primarily attributable to the procurement of hardware for SoCs and employment benefit expenses for on-site technical services and software tuning.

Intelligent Imaging Solutions

The cost of sales for intelligent imaging solutions increased from RMB8.9 million in 2022 to RMB18.0 million in 2023, representing an increase in procurement of hardware components.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 58.6% from RMB48.6 million in 2022 to RMB77.1 million in 2023. Our gross profit margin for autonomous driving products and solutions decreased from 24.2% in 2022 to 21.4% in 2023, primarily due to the inventory

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provision in relation to SoC-based solutions in line with the decreased net realizable value of SoCs. See “– Description of Major Components of Our Results of Operations – Cost of Sales.” In addition, we strategically lowered the selling price of certain SoCs-based solutions in late 2023, in view of expanding our customer base, which further affected our gross profit margin for autonomous driving products and solutions as we delivered such orders. Our gross profit margin for intelligent imaging solutions business decreased from 61.5% in 2022 to 50.1% in 2023, primarily due to the increased revenue contribution of hardware products with our proprietary algorithms embedded, which involves more hardware components and generally resulting in lower gross profit margin. Our overall gross profit margin decreased from 29.4% in 2022 to 24.7% in 2023, attribute to the inventory provision.

Research and Development Expenses

Our R&D expenses increased by 78.3% from RMB764.1 million in 2022 to RMB1,362.5 million in 2023, primarily due to (i) an increase in employee compensation expenses as we expanded our R&D team and incurred share-based payment expenses; and (ii) an increase in the product design and development expenses representing a one-time purchase of tape-out services in 2023.

Selling Expenses

Our selling expenses decreased by 14.9% from RMB119.7 million in 2022 to RMB101.8 million in 2023, primarily due to the decrease in the share-based payment to our sales staff.

General and Administrative Expenses

Our general and administrative expenses increased by 48.2% from RMB215.2 million in 2022 to RMB319.0 million in 2023, primarily due to (i) an increase in the number of administrative staff and leased offices to support our business growth; (ii) an increase in the listing expenses; and (iii) the share-based payment of RMB150.6 million.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB8.5 million in 2022 to RMB9.4 million in 2023, primarily due to the increase in our provision for trade and notes receivables driven by the increase in trade and notes receivables balance due from our customers.

Other Income

Our other income increased from RMB15.4 million in 2022 to RMB22.5 million in 2023, primarily representing the government grants related to our business operation and research and development activities.

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Other Losses – Net

Our other losses decreased from RMB9.3 million in 2022 to RMB3.8 million in 2023, primarily due to a decrease of RMB3.5 million in net foreign exchange losses, and an increase of RMB2.5 million in gains on financial assets at FVPL in 2023.

Finance Income – Net

Our finance income increased from RMB13.9 million in 2022 to RMB23.0 million in 2023, primarily due to an increase in interest income on cash at bank.

Fair Value Change in Financial Instruments Issued to Investors

We recorded an increase in fair value loss in financial instruments issued to investors from RMB1,714.1 million in 2022 to RMB3,179.8 million in 2023, primarily due to an increase in fair value of the equity interests with preferred rights held by our investors.

Loss for the Year

As a result of the foregoing, we had a loss of RMB4,855.1 million in 2023 compared to a loss of RMB2,753.9 million in 2022.

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenue

Our total revenue increased by 173.4% from RMB60.5 million in 2021 to RMB165.4 million in 2022, primarily attributable to the increase in revenue from autonomous driving products and solutions.

Autonomous Driving Products and Solutions

Our revenue from autonomous driving products and solutions increased by 315.3% from RMB34.3 million in 2021 to RMB142.3 million in 2022. This was primarily due to (i) our increased sales to existing customers as we continuously improved our autonomous driving solutions, and (ii) the expansion of customer base, which increased from 21 as of December 31, 2021 to 69 as of December 31, 2022. In addition, we commenced mass-production of our proprietary A1000 Series SoCs in late 2022 and delivered over 25,000 units as of December 31, 2022.

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Intelligent Imaging Solutions

Our revenue from intelligent imaging solutions decreased by 11.5% from RMB26.2 million in 2021 to RMB23.2 million in 2022, as we review and adjust our solution portfolio and customer base from time to time. In 2022, we terminated relationship with certain intelligent imaging solutions customers related to whom the costs and profitability did not meet our expectation, and we allocated the resources to our core business of developing autonomous driving SoC-based products.

Cost of Sales

Our cost of sales increased by 202.4% from RMB38.6 million in 2021 to RMB116.8 million in 2022, primarily representing the increase of cost of sales in autonomous driving products and solutions.

Autonomous Driving Products and Solutions

The cost of sales for autonomous driving products and solutions increased from RMB27.9 million in 2021 to RMB107.9 million in 2022, primarily attributable to increases in material and processing cost and employee compensation expenses, both generally corresponding to our increased sales.

Intelligent Imaging Solutions

The cost of sales for intelligent imaging solutions decreased from RMB10.8 million in 2021 to RMB8.9 million in 2022, generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 122.3% from RMB21.9 million in 2021 to RMB48.6 million in 2022. Our gross profit margin for autonomous driving products and solutions increased from 18.6% in 2021 to 24.2% in 2022 as we improved our pricing for solutions in light of customers' more sophisticated demands, and commenced mass production and delivery of our proprietary SoCs. Our gross profit margin for intelligent imaging solutions business slightly increased from 59.0% in 2021 to 61.5% in 2022. Our overall gross profit margin, however, decreased from 36.1% in 2021 to 29.4% in 2022, due to the increased revenue contribution of autonomous driving products and solutions, which involves more hardware components and generally resulting in lower gross profit margin.

Research and Development Expenses

Our R&D expenses increased by 28.3% from RMB595.4 million in 2021 to RMB764.1 million in 2022, primarily due to an increase in employee compensation expenses as we expanded our R&D team and incurred share-based payment expenses. This was partially offset by a decrease in IP licensing fees for SoC design.

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Selling Expenses

Our selling expenses increased by 135.5% from RMB50.8 million in 2021 to RMB119.7 million in 2022, primarily due to an increase in employee compensation expenses, including salaries and share-based payment expenses, as we expanded our sales team in light of growing sales.

General and Administrative Expenses

Our general and administrative expenses increased by 92.7% from RMB111.7 million in 2021 to RMB215.2 million in 2022, primarily because we expanded our administrative team and leased more properties in light of the expansion of our operation.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB1.8 million in 2021 to RMB8.5 million in 2022, primarily due to the increase in our provision for trade and notes receivables in line with the general aging of those receivables.

Other Income

Our other income decreased from RMB18.1 million in 2021 to RMB15.4 million in 2022, primarily relating to a decrease in government grants related to our business operation and research and development activities.

Other Losses – Net

We recognized other losses of RMB9.3 million in 2022 as compared to other losses of RMB2.9 million in 2021, primarily because we had an increase in net foreign exchange losses, partially offset by gains on financial assets at fair value through profit and loss of RMB9.7 million.

Finance (Costs)/Income – Net

We recognized finance income of RMB13.9 million in 2022 as compared to finance costs of RMB1.9 million in 2021, primarily due to an increase in our interest income on cash at bank.

Fair Value Change in Financial Instruments Issued to Investors

We recorded an increase in fair value loss in financial instruments issued to investors from RMB1,631.2 million in 2021 to RMB1,714.1 million in 2022, primarily due to an increase in the fair value of the equity interests with preferred rights held by our investors.

Loss for the Year

As a result of the foregoing, we had a loss of RMB2,753.9 million in 2022, compared to a loss of RMB2,356.5 million in 2021.

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DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31, 2021	As of December 31, 2022	2023	As of March 31, 2024	As of May 31, 2024 <i>(Unaudited)</i>
	<i>(RMB in thousands)</i>				
Current assets					
Inventories	3,220	72,820	71,423	81,813	83,684
Trade and notes receivables	49,459	125,219	164,937	129,886	153,398
Prepayments and other receivables	85,045	134,433	97,697	138,184	133,410
Financial assets at fair value through profit or loss	–	706,462	8,197	8,316	33
Cash and cash equivalents	<u>1,553,419</u>	<u>982,229</u>	<u>1,298,412</u>	<u>1,053,511</u>	<u>945,368</u>
Total current assets	<u>1,691,143</u>	<u>2,021,163</u>	<u>1,640,666</u>	<u>1,411,710</u>	<u>1,315,893</u>
Current liabilities					
Trade payables	13,083	69,907	68,085	52,370	46,477
Contract liabilities	252	5,660	7,479	9,459	8,722
Borrowings	14,035	12,581	–	67,861	95,256
Lease liabilities	5,380	18,412	18,521	19,020	18,366
Other payables and accruals	96,772	120,221	239,526	326,377	327,307
Financial instruments issued to investors	<u>5,249,949</u>	<u>8,386,402</u>	<u>12,589,493</u>	<u>10,977,065</u>	<u>10,998,414</u>
Total current liabilities	<u>5,379,471</u>	<u>8,613,183</u>	<u>12,923,104</u>	<u>11,452,152</u>	<u>11,494,542</u>
Net current liabilities	<u>(3,688,328)</u>	<u>(6,592,020)</u>	<u>(11,282,438)</u>	<u>(10,040,442)</u>	<u>(10,178,649)</u>

Our net current liabilities decreased from RMB11,282.4 million as of December 31, 2023 to RMB10,040.4 million as of March 31, 2024, primarily due to a decrease of RMB1,612.4 million in financial instruments issued to investors. This was partially offset by (i) a decrease of RMB244.9 million in cash and cash equivalents, (ii) an increase of RMB86.9 million in other payables and accruals, and (iii) an increase of RMB67.9 million in borrowings.

Our net current liabilities increased from RMB6,592.0 million as of December 31, 2022 to RMB11,282.4 million as of December 31, 2023, primarily due to (i) an increase of RMB4,203.1 million in financial instruments issued to investors, (ii) a decrease of RMB698.3 million in financial assets at fair value through profit and loss, and (iii) an increase of RMB119.3 million in other payables and accruals. This was partially offset by an increase of RMB316.2 million in cash and cash equivalents.

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Our net current liabilities increased from RMB3,688.3 million as of December 31, 2021 to RMB6,592.0 million as of December 31, 2022, primarily due to (i) an increase of RMB3,136.5 million in financial instruments issued to investors; and (ii) a decrease of RMB571.2 million in cash and cash equivalents, primarily due to our use of cash for investment in Treasury bonds and money market funds. This was partially offset by an increase of RMB706.5 million in financial assets at fair value through profit or loss.

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

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Non-current assets				
Trade and notes receivables	–	–	–	13,974
Property plant and equipment	27,694	55,293	98,589	103,656
Right-of-use assets	11,375	33,243	50,848	54,518
Intangible assets	13,687	17,417	74,795	66,797
Investments accounted for using the equity method	9,604	8,617	17,176	15,215
Prepayments and other receivables	10,481	17,152	17,474	15,634
Financial assets at fair value through profit or loss ("FVPL")	–	–	20,792	20,828
Total non-current assets	<u>72,841</u>	<u>131,722</u>	<u>279,674</u>	<u>290,622</u>
Non-current liabilities				
Borrowings	12,255	–	–	–
Lease liabilities	6,196	16,223	33,927	35,651
Other payables and accruals	28,400	29,657	56,925	12,624
Total non-current liabilities	<u>46,851</u>	<u>45,880</u>	<u>90,852</u>	<u>48,275</u>
Net non-current assets	<u>25,990</u>	<u>85,842</u>	<u>188,822</u>	<u>242,347</u>

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Inventories

Our inventories primarily comprise work in progress and finished goods. Our inventories as of December 31, 2021 primarily consisted of finished goods for our autonomous driving products and solutions, our inventories as of December 31, 2022 and 2023 and March 31, 2024 primarily consisted of work in progress and finished goods of our mass-produced SoCs. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Work in progress	–	52,359	75,364	68,156
Finished goods	3,220	20,461	14,295	33,169
Less: provision for impairment of inventories	–	–	(18,236)	(19,512)
Total	3,220	72,820	71,423	81,813

Our inventories increased from RMB3.2 million as of December 31, 2021 to RMB72.8 million as of December 31, 2022, then to RMB71.4 million as of December 31, 2023 and further to RMB81.8 million as of March 31, 2024, primarily affected by our expanded operations and scaled production of SoCs. As of December 31, 2021 and 2022, all of our inventories aged less than one year. As of December 31, 2023, RMB78.1 million and RMB11.6 million of our inventories before provision aged less than one year and one to two years, respectively. As of March 31, 2024, RMB76.2 million and RMB25.1 million of our inventories before provision aged less than one year and one to two years, respectively.

Our inventory provision amounted to RMB18.2 million and RMB19.5 million as of December 31, 2023 and March 31, 2024, respectively, primarily in relation to our A1000 series SoCs. We incurred relatively higher costs for semiconductor packaging and testing services, during the business ramp-up stage when our bargaining power was relatively limited and had not yet achieved economies of scale. We subsequently offered the SoCs for Geely's vehicle models at favorable prices, as we have been collaborating with Geely since the early stage of our commercialization, in expectation of long-term collaboration. As a result, certain orders of the SoC-based solutions were priced below the cost in expectation of broader commercial opportunities of our SoC-based solutions on more vehicle models in the future, and we made inventory provision in line with the decreased net realizable value. Taking into account our anticipation of the market demand, our market-driven production and sales plans, and sufficient inventory provision has been made, we believe that there is no material recoverability issue for our inventories.

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The following table sets forth our inventory turnover days for the Track Record Period:

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
Inventory turnover days ⁽¹⁾	15	119	137	918

(1) Calculated using the average of opening balance and closing balance of the inventories (excluding provision for impairment of inventories) for such period divided by cost of sales (excluding inventory provision) for the relevant period and multiplied by the number of days during such period.

Our inventory turnover days increased from 15 days in 2021 to 119 days in 2022. The significant increase in 2022 was primarily due to the mass production of SoCs starting from 2022. As of December 31, 2022, the majority of inventories consisted of work in progress, including wafers and chips in the process of packaging and testing, leading to the growth of inventory balance and increase in inventory turnover days in 2022. Our inventory turnover days further increased to 137 days in 2023, primarily due to the increase in work in progress in relation to our mass-produced SoCs. Our inventory turnover days amounted to 918 days in the three months ended March 31, 2024, primarily due to the relatively low cost of sales in the first quarter of 2024, in line with the reduced business activities during the Chinese New Year holiday period. As of December 31, 2023 and March 31, 2024, the majority of our inventory consisted of work-in-progress that started production in late 2023, as we were preparing for sales in 2024. We plan to use up the inventory and ship to customers in the normal course of business in 2024.

As of May 31, 2024, RMB1.3 million, or approximately 1.6% of our inventories as of March 31, 2024 had been subsequently consumed or sold.

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Trade and Notes Receivables

Our trade and notes receivables mainly represent the receivables relating to our autonomous driving products and solutions. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Non-current:				
Trade and notes receivables	–	–	–	16,561
Less: provision for impairment	–	–	–	(2,587)
	–	–	–	13,974
Current:				
Trade and notes receivables	52,125	136,369	185,499	153,408
Less: provision for impairment	(2,666)	(11,150)	(20,562)	(23,522)
	49,459	125,219	164,937	129,886

We typically set forth the trading terms with our customers in the relevant sales contracts. During the Track Record Period, we believe that we have implemented effective credit management system and policies. We normally provide our customers with a credit term of 30 to 180 days subject to the creditworthiness of the relevant customers according to our customer credit management system.

Our trade and notes receivables increased from RMB49.5 million as of December 31, 2021 to RMB125.2 million as of December 31, 2022, and further to RMB164.9 million as of December 31, 2023. The increase was primarily due to our growing sales in autonomous driving products and solutions business. Our trade and notes receivables decreased to RMB143.9 million as of March 31, 2024, attributable to our collection efforts.

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The following table sets forth an aging analysis of our trade and notes receivables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Up to 3 months	28,514	64,621	103,121	21,626
3 to 6 months	6,888	7,591	2,459	67,377
6 to 9 months	5,882	28,790	8,036	2,381
9 to 12 months	272	16,669	12,876	7,802
Over 12 months	10,569	18,698	59,007	70,783
Total	<u>52,125</u>	<u>136,369</u>	<u>185,499</u>	<u>169,969</u>

The following table sets forth our trade and notes receivables turnover days for the Track Record Period:

	Year ended December 31,			Three months ended
	2021	2022	2023	March 31, 2024
Trade and notes receivables turnover days ⁽¹⁾	266	208	188	519

- (1) Trade and notes receivables turnover days for a period are calculated using the average of opening balance and closing balance of the trade and notes receivables (excluding provision for impairment) for such period divided by revenue for the relevant period and multiplied by the number of days during such period.

Our trade and notes receivables turnover days decreased from 266 days in 2021 to 208 days in 2022, and then to 188 days in 2023, primarily attributable to our enhanced collection efforts. Our trade and notes receivables turnover days amounted to 519 days in the three months ended March 31, 2024, primarily due to (i) that the settlement of certain customers delayed, despite their continuous payment, as their downstream customers experienced temporary financial constraints due to the macroeconomic conditions; and (ii) the relatively low revenue in the first quarter of 2024, in line with the reduced business activities during the Chinese New Year holiday period.

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As of May 31, 2024, RMB26.9 million, or approximately 15.9% of our trade and notes receivables as of March 31, 2024 had been subsequently collected. We keep monitoring the collection of long-term and/or overdue receivables. We have arranged payment plans with some of the customers to clear the outstanding amount, and anticipate to improve the collection in the foreseeable future. In addition, we have taken further actions in line with our management measures to improve the collection of trade and notes receivables and the turnover days, such as strengthening the communication with customers and taking legal actions.

We have adopted measures to manage our credit risks, which comprise customer credit risk management measures and trade and notes receivables management measures. With respect to customer credit management, we have categorized customers into different credit risk levels and monitor such credit risk levels regularly. We grant credit terms to customers in accordance with the relevant designated credit risk levels, and actively manage credit risks by maintaining regular communication with our customers. We closely monitor long-aging trade receivables and regularly update the collection status. Our business department collaborates with customers to develop feasible payment plans, which serve as a performance indicator for our sales team. In cases where necessary, we may resort to legal actions in accordance with the terms outlined in our contracts. As part of our ongoing evaluation, we regularly analyze the balance of trade receivables aged over six months, which allows us to identify any potential impairments and take necessary actions to address them.

With respect to trade and notes receivables, we have assessed the expected credit losses by considering a number of factors including historical default rates and existing market conditions. Our management performed below procedures to ensure the provision of ECL is sufficient: (a) evaluating the related accounting policies and historical judgments adopted in ECL; (b) maintaining regular communication with customers to confirm the balances of receivables; (c) assessing the collectability of trade and notes receivables by making regular aging analyses and taking into consideration of both current and future economic conditions including the historical recovery rate of these trade and notes receivables; (d) examining these accounts receivables based on the financial and non-financial status of the customers and other external factors and considerations; and (e) reviewing the forward-looking macroeconomic data used in ECL model of trade and notes receivables.

We determine the impairment provisions on collective basis or individual basis as appropriate depending on the relevant credit risk. On the collective basis, we adopt the roll-rate method given that there are no significant financing components contained in the trade receivables, and do not use specific criteria in connection with credit period when assessing the default risk of the receivables. On the individual basis, we apply the expected loss rate for trade receivables of each customer based on the likelihood of recovery and adjust the loss rate with forward looking information. Based on the assessment, the impairment and reversal for receivables have been included in the net impairment losses on financial assets. We also have policies in place to ensure that trade and notes receivables and trade receivables due from related parties with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. We apply the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and the aging. See Note 3 to the Accountant's Report in Appendix I to this Prospectus for details. Our Directors are of the view that there is no recoverability issue for trade and notes receivables aged over 12 months, and sufficient provision has been made, by taking into account our comprehensive credit risk management measures, historical experience in transacting with relevant customers, and their financial position.

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Prepayments and Other Receivables

The following table sets forth our prepayments and other receivables as of the dates indicated:

	Year ended December 31			Three months ended
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Current				
Prepayments	61,283	92,405	25,340	50,349
Value-added tax recoverable	11,997	25,503	63,890	77,545
Contract fulfilment cost	–	13,869	1,083	1,785
Deposits	1,877	1,769	3,862	4,621
Listing expenses to be capitalized	–	592	2,854	3,306
Receivable from government grants	3,500	–	–	–
Amounts due from a related party	5,900	–	–	–
Others	488	295	668	578
Total	<u>85,045</u>	<u>134,433</u>	<u>97,697</u>	<u>138,184</u>
Non-current				
Capacity retention fees to packaging and testing services provider	5,756	9,219	9,635	9,768
Deposits	2,415	4,626	4,884	3,227
Others	2,310	3,307	2,955	2,639
Total	<u>10,481</u>	<u>17,152</u>	<u>17,474</u>	<u>15,634</u>

Our prepayments and other receivables related to current assets mainly consist of (i) prepayments, and (ii) value-added tax recoverable. The amount substantially increased from RMB85.0 million as of December 31, 2021 to RMB134.4 million as of December 31, 2022, primarily due to (i) an increase in prepayments for materials for chip production, and (ii) an increase in value-added tax recoverable. Our prepayments and other receivables related to current assets as of December 31, 2023 decreased to RMB97.7 million, primarily due to a decrease in prepayments for materials for chip production. Our prepayments and other receivables related to current assets as of March 31, 2024 increased to RMB138.2 million primarily due to (i) an increase in prepayments for materials for chip production; and (ii) an increase in value-added tax recoverable.

Our prepayments and other receivables related to non-current assets mainly comprise (i) capacity retention fees to packaging and testing services provider, and (ii) deposits. Our prepayments and other receivables related to non-current assets increased from RMB10.5 million as of December 31, 2021 to RMB17.2 million as of December 31, 2022, primarily due to an increase in the capacity reservation fees relating to our semiconductor packaging and testing. Our prepayments and other receivables related to non-current assets remained relatively stable at RMB17.5 million as of December 31, 2023. Our prepayments and other receivables related to non-current assets decreased to RMB15.6 million as of March 31, 2024 primarily due to a decrease in deposits, which was adjusted as deposits under prepayments and other receivables related to current assets because the lease for our office premise in Shenzhen will expire in 2025.

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As of May 31, 2024, RMB8.2 million, or approximately 5.9% of our prepayments and other receivables as of March 31, 2024 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss recorded as non-current assets represented equity investments at fair value in a limited partnership fund, amounting to nil, nil, RMB20.8 million and RMB20.8 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Our financial assets at fair value through profit or loss recorded as current assets amounted to nil, RMB706.5 million, RMB8.2 million and RMB8.3 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Our current financial assets primarily consist of Treasury Bonds and money market funds. See Note 21 to the Accountant's Report in Appendix I to this Prospectus.

To monitor and control the risks associated with our financial assets, we have adopted a comprehensive set of internal policies and guidelines. Our capital management department is responsible for proposing, analyzing and evaluating potential investment. Our cash management strategy focuses on minimizing the financial risks. To control our risk exposure, we primarily procure Treasury bonds and money market fund unsecured with variable interest rates. We make investment decisions considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Our investment in these financial assets after the Listing will be subject to compliance with Chapter 14 of the Listing Rules.

Trade Payables

Our trade payables represent our obligation to pay for goods or services that have been purchased from suppliers in the ordinary course of business. Our trade payables increased from RMB13.1 million as of December 31, 2021 to RMB69.9 million as of December 31, 2022, primarily due to our increasing procurement as we expanded our business and production scale. Our trade payables remained relatively stable at RMB68.1 million as of December 31, 2023. Our trade payables decreased to RMB52.4 million as of March 31, 2024, primarily attributable to our settlement of trade payables in relation to SoCs.

The following table sets forth an aging analysis of our trade payables based on transaction date as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Up to 6 months	10,099	55,345	43,439	28,745
6 to 12 months	–	11,379	6,347	5,859
Over 12 months	2,984	3,183	18,299	17,766
	Total	69,907	68,085	52,370

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The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,			Three months ended
	2021	2022	2023	March 31, 2024
Trade payables turnover days ⁽¹⁾	116	130	116	475

(1) Trade payables turnover days for a period are calculated using the average of opening balance and closing balance of the trade and notes payables for such period divided by cost of sales (excluding inventory provision) for the relevant period and multiplied by the number of days during such period.

Our trade payables turnover days increased from 116 days in 2021 to 130 days in 2022, primarily attributable to enhanced supply chain management in light of our growing sales. Our trade payables turnover days decreased to 116 days in 2023 due to the settlement of certain major transactions in 2023, leading to a reduced balance of trade payables as of December 31, 2023. Our trade payables turnover days amounted to 475 days in the three months ended March 31, 2024, primarily due to the relatively low cost of sales in the first quarter of 2024, in line with the reduced business activities during the Chinese New Year holiday period.

As of May 31, 2024, RMB21.1 million, or approximately 40.3% of our trade payables as of March 31, 2024 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily comprise (i) other payables and accruals relating to procurement of non-inventories, and (ii) government grants. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Non-current:				
Government grants	28,400	29,657	34,146	2,681
Payables for purchase of software	–	–	18,548	6,069
Others	–	–	4,231	3,874
	–	–	–	–

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	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Current:				
Payroll and welfare payables	38,678	70,829	138,231	167,141
Government grants	1,200	30,377	25,632	45,982
Other tax payables	2,450	6,162	15,577	9,432
Payables for purchase of intellectual property	38,253	–	–	–
Payables for repurchase of ordinary shares from a shareholder	4,591	–	–	–
Government grants refund ⁽¹⁾	–	–	–	12,760
Exercise price received for stock options	2,512	4,111	10,268	11,419
Payables for listing expenses	–	3,916	11,838	13,194
Payables for purchase of software	–	–	19,556	19,786
Payables for technical services	7,972	867	10,245	32,481
Payables for property, plant and equipment	–	–	–	6,407
Others ⁽²⁾	1,116	3,959	8,179	7,775
	<u>96,772</u>	<u>120,221</u>	<u>239,526</u>	<u>326,377</u>
Total	<u><u>125,172</u></u>	<u><u>149,878</u></u>	<u><u>296,451</u></u>	<u><u>339,001</u></u>

Notes:

- (1) Government grants refund as of March 31, 2024 represents the general policy-related rewards previously received from local government that were to be returned due to our relocation from Qingshan District, Wuhan to East Lake Scenic Area, Wuhan, which resulted in unmet incorporation condition as set for such rewards.
- (2) Other payables and accruals mainly represent amount due to a related party.

Our other payables and accruals increased from RMB125.2 million as of December 31, 2021 to RMB149.9 million as of December 31, 2022, primarily due to (i) the increase in the payroll and welfare payables and (ii) the receipt of government grants for certain research and development projects related to autonomous driving technologies, subject to conditions that are expected to be satisfied within one year, partially offset by the decrease of payables for purchase of intellectual property as our need for IP procurement varied at different stages of R&D projects. Our other payables and accruals increased from RMB149.9 million as of December 31, 2022 to RMB296.5 million as of December 31, 2023, primarily due to the increase in (i) the payroll and welfare payables and (ii) the payables for purchase of software. Our other payables and accruals further increased to RMB339.0 million as of March 31, 2024, primarily due to (i) the increase in payroll and welfare payables, and (ii) the increase in

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payables relating to technical services. The government grants under non-current other payables and accruals decreased to RMB2.7 million as of March 31, 2024, while the government grants under current other payables and accruals increased to RMB46.0 million as of March 31, 2024, primarily due to the reclassification of certain government grants to current other payables and accruals.

Financial Instruments Issued to Investors

Our financial instruments issued to investors consist of (i) redeemable convertible preferred shares, (ii) warrants for purchase of ordinary shares, (iii) convertible notes, and (iv) commitment derivatives. The financial instruments issued to investors are recognized at fair value through profit or loss. See Note 28 to the Accountant's Report in Appendix I to this Prospectus.

The following table sets forth a breakdown of our financial instruments issued to investors as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Current liabilities				
Redeemable convertible preferred shares	5,094,096	8,279,244	12,589,493	10,977,065
Commitment derivatives	28,000	67,941	–	–
Convertible notes	125,854	35,413	–	–
Warrant liabilities	1,999	3,804	–	–
	<u>5,249,949</u>	<u>8,386,402</u>	<u>12,589,493</u>	<u>10,977,065</u>

Our preferred share liabilities increased from RMB5,094.1 million as of December 31, 2021 to RMB8,279.2 million as of December 31, 2022, and further to RMB12,589.5 million as of December 31, 2023. The increases in our preferred share liabilities were primarily due to (i) the issuances of preferred shares and (ii) an increase in our valuation, resulting in increased fair value of the preferred shares. Our preferred share liabilities decreased to RMB10,977.1 million as of March 31, 2024, primarily due to decreased fair value of the preferred shares.

Property, Plant and Equipment

Our property, plant and equipment mainly consist of electronic equipment, office equipment, motor vehicles and leasehold improvements. Our property, plant and equipment amounted to RMB27.7 million, RMB55.3 million, RMB98.6 million and RMB103.7 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. The increase from December 31, 2021 to December 31, 2022 was mainly due to (i) our procurement of servers and office equipment, and (ii) the leasehold improvements for offices located in Chengdu, Shenzhen, Shanghai and other major cities. The increase from December 31, 2022 to December 31, 2023 and from December 31, 2023 to March 31, 2024 were mainly due to our procurement of electronic devices.

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Right-of-use Assets

Our right-of-use assets mainly consist of our leasehold land and office premises. The following table sets forth the details of our right-of-use assets as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Right-of-use assets				
Leased buildings	11,375	33,243	50,848	54,518

Our right-of-use assets amounted to RMB11.4 million, RMB33.2 million, RMB50.8 million and RMB54.5 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. The increase from December 31, 2021 to December 31, 2022 was primarily in relation to our additional office premises in Chengdu, Wuhan, Shenzhen, Shanghai and other major cities to support our business expansion. The increase from December 31, 2022 to December 31, 2023 was primarily in relation to our change of office location in Shanghai and additional office premises in Wuhan to support our business expansion. The increase from December 31, 2023 to March 31, 2024 was primarily in relation to the lease renewal of our office premises in the U.S.

Intangible Assets

Our intangible assets mainly consist of software, which amounted to RMB13.7 million, RMB17.4 million, RMB74.8 million and RMB66.8 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. The increase from December 31, 2021 to December 31, 2023 was mainly attributable to our procurement of software for upgrade of the internal IT system. In addition, the increase in software as of December 31, 2023 was primarily due to our procurement of electronic design automation (EDA) tools for the R&D activities of our next-generation SoCs. We had a decrease in the accumulated amortization as of December 31, 2022, due to the expiration of certain EDA tools at the time. The decrease of our intangible assets as of March 31, 2024 was mainly attributable an increase in the accumulated amortization. The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>(RMB in thousands)</i>			
Intangible assets:				
Software	28,817	30,618	113,044	115,333
Accumulated amortization	(15,130)	(13,201)	(38,249)	(48,536)
Total	13,687	17,417	74,795	66,797

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Investments Accounted for Using the Equity Method

Our investments accounted for using the equity method represented our investments in associates, including Mairun, Guoqi and Lingtong, consisting of ordinary shares. Our investments accounted for using the equity method amounted to RMB9.6 million, RMB8.6 million, RMB17.2 million and RMB15.2 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. The changes mainly reflected our share of the associates' post-acquisition profits or losses. See Note 18 to the Accountant's Report included in Appendix I to this Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from capital contribution from shareholders and proceeds from our business operations. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations and the net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Three Months ended March 31,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Operating loss before changes in working capital	(593,390)	(629,299)	(1,131,021)	(231,685)	(281,134)
Working capital changes	(45,925)	(125,370)	73,196	(38,854)	(789)
Net cash used in operating activities	(639,315)	(754,669)	(1,057,825)	(270,539)	(281,923)
Net cash (used in)/generated from investing activities	(31,817)	(732,796)	546,698	308,409	(25,599)
Net cash generated from/(used in) financing activities	2,000,866	804,175	809,135	(7,764)	60,746
Net increase/(decrease) in cash and cash equivalents	1,329,734	(683,290)	298,008	30,106	(246,776)
Cash and cash equivalents at beginning of the year/period	243,888	1,553,419	982,229	982,229	1,298,412
Exchange (losses)/gains on cash and cash equivalents	(20,203)	112,100	18,175	(9,497)	1,875
Cash and cash equivalents at end of the year/period	1,553,419	982,229	1,298,412	1,002,838	1,053,511

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Net Cash Flows Used in Operating Activities

In the three months ended March 31, 2024, our net cash flows used in operating activities was RMB281.9 million. Our net cash used in operating activities is calculated by adjusting our profit before income tax of RMB1,203.3 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value gains on financial instrument issued to investors of RMB1,636.1 million and share-based payment expenses of RMB113.1 million; and (ii) changes in working capital, primarily comprising an increase in prepayments, deposits and other assets of RMB38.1 million, a decrease in trade payables of RMB15.7 million and an increase in inventories of RMB11.7 million, partially offset by an increase in other payables and accruals of RMB47.1 million.

In 2023, our net cash flows used in operating activities was RMB1,057.8 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB4,855.1 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value loss on financial instrument issued to investors of RMB3,179.8 million and share-based payment expenses of RMB421.1 million; and (ii) changes in working capital, primarily comprising an increase in trade and notes receivables of RMB49.1 million and an increase in inventories of RMB16.8 million, partially offset by an increase in other payables and accruals of RMB91.3 million and a decrease in prepayments, deposits and other assets of RMB39.2 million.

In 2022, our net cash flows used in operating activities was RMB754.7 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB2,753.9 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value loss on financial instrument issued to investors of RMB1,714.1 million and share-based payment expenses of RMB339.5 million; and (ii) changes in working capital, which primarily comprised an increase in trade and notes receivables of RMB84.2 million and an increase in inventories of RMB69.6 million, partially offset by an increase in trade payables of RMB56.8 million.

In 2021, our net cash flows used in operating activities was RMB639.3 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB2,356.5 million, as adjusted by (i) the add-back of non-cash items, primarily comprising fair value loss on financial instrument issued to investors of RMB1,631.2 million and share-based payment expenses of RMB111.7 million; and (ii) changes in working capital, which primarily comprised an increase in prepayments, deposits and other assets of RMB77.2 million, partially offset by an increase in other payables and accruals of RMB47.5 million.

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Net Cash Flows Used in Investing Activities

In the three months ended March 31, 2024, our net cash flows used in investing activities was RMB25.6 million, which was attributable to (i) payments of property, plant and equipment of RMB10.7 million; and (ii) payments for intangible assets of RMB14.9 million.

In 2023, our net cash flows generated from investing activities was RMB546.7 million, which was attributable to proceeds from maturity of financial assets at fair value through profit or loss of RMB710.3 million, partially offset by (i) the payments of property, plant and equipment of RMB81.4 million, (ii) payments for intangible assets of RMB52.2 million, (iii) the payments for financial assets at fair value through profit or loss of RMB20.0 million, and (iv) the payments for investment in an associate of RMB10.0 million.

In 2022, our net cash flows used in investing activities was RMB732.8 million, which was attributable to (i) the payments for financial assets at fair value through profit or loss of RMB672.6 million, and (ii) the payments of property, plant and equipment of RMB50.1 million, partially offset by the proceeds from repayment of loans by a related party of RMB5.9 million.

In 2021, our net cash flows used in investing activities was RMB31.8 million, which was attributable to (i) the payments of property, plant and equipment of RMB25.5 million, and (ii) the payments for intangible assets of RMB8.3 million, partially offset by the proceeds from repayment of loans from a related party of RMB2.0 million.

Net Cash Flows Generated from Financing Activities

In the three months ended March 31, 2024, our net cash flows generated from financing activities was RMB60.7 million, which was attributable to the proceeds from borrowings of RMB67.8 million, partially offset by (i) the principal payments of lease liabilities of RMB7.1 million, (ii) the interest paid for lease liabilities of RMB0.7 million, and (iii) the payments for listing expenses of RMB0.4 million.

In 2023, our net cash flows generated from financing activities was RMB809.1 million, which was attributable to the proceeds from issuance of financial instruments to investors of RMB853.7 million, partially offset by (i) the principal payments of lease liabilities of RMB16.3 million, (ii) the repayment of convertible notes of RMB13.6 million, (iii) the repayment of borrowings of RMB12.3 million, and (iv) the repurchase of warrant of RMB4.4 million.

In 2022, our net cash flows generated from financing activities was RMB804.2 million, which was attributable to the proceeds from issuance of financial instruments to investors of RMB915.0 million, partially offset by (i) the repurchase of vested share options of RMB22.7 million, (ii) the repayment of borrowings of RMB13.8 million, and (iii) the principal payments of lease liabilities of RMB13.8 million.

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In 2021, our net cash flows generated from financing activities was RMB2,000.9 million, which was attributable to the proceeds from issuance of financial instruments to investors of RMB2,132.4 million, partially offset by (i) the repurchase of ordinary shares of RMB41.9 million, and (ii) the repurchase of vested share options of RMB36.4 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Research and development costs ⁽¹⁾⁽³⁾	265,575	142,057	326,740	40,030	55,747
Workforce employment ⁽²⁾	299,304	519,422	764,719	197,550	183,945
Direct production costs, including materials	52,452	157,152	168,109	28,480	57,964
Product marketing	10,040	9,658	16,002	2,313	3,540
Non-income taxes, royalties and other governmental charges	608	2,763	1,271	799	243

Notes:

- (1) Represent materials expenses and testing fees, technical service expenses and IP licensing fees.
- (2) Represents staff costs mainly including salaries and wages.
- (3) The following reconciliation has been made for the calculation of the research and development expenses as disclosed in “– Description of Major Components of Our Results Of Operations – Research and Development Expenses” and the research and development costs in the above table: (i) for product design and development expenses in a given period, adding back (a) product design and development expenses payables in the previous period and (b) prepayment for product design and development expenses in the current period, and deducting (a) product design and development expenses payables in the current period and (b) prepayment for product design and development expenses in the previous period; (ii) for outsourced R&D expenses in a given period, adding back prepayment for outsourced R&D expenses in the current period, and deducting prepayment for outsourced R&D expenses in the previous period; and (iii) for IP licensing fees in a given period, adding back (a) payables for purchase of IP in the previous period and (b) prepayment for purchase of IP in the current period, and deducting (a) payables for purchase of IP in the current period and (b) prepayment for purchase of IP in the previous period.

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INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31, 2024	May 31, 2024
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Borrowings	26,290	12,581	–	67,861	155,141
Financial instruments					
issued to investors	5,249,949	8,386,402	12,589,493	10,977,065	10,998,414
Lease liabilities	11,576	34,635	52,448	54,671	52,986
Amounts due to a related party ⁽¹⁾	–	–	3,000	3,583	3,723
Total	<u>5,287,815</u>	<u>8,433,618</u>	<u>12,644,941</u>	<u>11,103,180</u>	<u>11,210,264</u>

Note:

(1) The amounts due to a related party will be settled upon the Listing.

Borrowings

We recognized borrowings of RMB26.3 million as of December 31, 2021, RMB12.6 million as of December 2022, nil as of December 31, 2023, RMB67.9 million as of March 31, 2024 and RMB155.1 million as of May 31, 2024, being the indebtedness date for the purpose of the indebtedness statement. Our borrowings primarily consisted of secured bank borrowing. As of the Latest Practicable Date, we had unutilized banking facilities of RMB288.9 million. The following table sets forth our borrowings as of the dates indicated:

	As of			As of	As of
	2021	2022	2023	March 31, 2024	May 31, 2024
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Current:					
Bank borrowings	13,783	12,255	–	67,800	94,971
Interest payables	252	326	–	61	285

FINANCIAL INFORMATION

	As of December 31, 2021	As of December 31, 2022	As of December 31, 2023	As of March 31, 2024	As of May 31, 2024
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Non-current:					
Bank borrowings	12,255	–	–	–	59,885
Total	<u>26,290</u>	<u>12,581</u>	<u>–</u>	<u>67,861</u>	<u>155,141</u>

In November 2020, we entered into a loan facility agreement with Shanghai Pudong Development Silicon Valley Bank which provided us a credit limit in an aggregate principal amount of RMB34.5 million with a floating interest per annum (1.65% above the loan prime rate). Borrowings under the loan facility agreement were collateralized by our accounts receivables during the terms of borrowings and also guaranteed by us. In November 2020, we drew down borrowings with the principal amount of RMB34.5 million under the facility which shall be repaid by instalments over a thirty months period commencing from six months after the origination date.

In conjunction with the loan facility agreement, we issued China Equities HK Limited, a related party of Shanghai Pudong Development Silicon Valley Bank, a warrant to subscribe our 247,280 ordinary shares at the purchase price of USD1.2132 per share within a term of seven years from the issuance date. Proceeds drawn down under the loan facility together with the warrant purchase price were allocated between the borrowings which were subsequently measured at amortized cost and such warrant which was subsequently measured at fair value through profit or loss.

In April 2023, we secured one-year loan facility agreements with the Wuhan and Shanghai branches of China Merchants Bank Company Limited, which collectively provided us with a credit limit of RMB80 million in total. We utilized this facility to borrow the full amount of RMB80 million in March and April 2024, with an annual interest rate of 3.2%.

In May 2024, we secured a two-year syndicated loan agreement with Shanghai Pudong Development Silicon Valley Bank which acts as the lead and agent bank, and several other banks, which provided us loan in an aggregate principal amount of RMB500 million. See Note 2.1(ii) to the Accountant's Report in Appendix I to this Prospectus for details. As of May 31, 2024, we had borrowings of RMB74.9 million under the loan agreement guaranteed by Black Sesame International Holding Limited with interest rates of 3.7% per annum, which shall be repaid by May 2026.

The weighted average interest rates for the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024 were 6.12%, 6.12%, 6.12%, 6.12% and 3.2%, respectively.

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Financial Instruments Issued to Investors

The following table sets forth a breakdown of our financial instruments issued to investors as of the dates indicated:

	As of December 31,			As of	As of May
	2021	2022	2023	March 31, 2024	31, 2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Current liabilities					
Redeemable convertible preferred shares	5,094,096	8,279,244	12,589,493	10,977,065	10,998,414
Commitment derivatives	28,000	67,941	–	–	–
Convertible notes	125,854	35,413	–	–	–
Warrant liabilities	1,999	3,804	–	–	–
Total	<u>5,249,949</u>	<u>8,386,402</u>	<u>12,589,493</u>	<u>10,977,065</u>	<u>10,998,414</u>

See “– Discussion of Key Items of Consolidated Statements of Financial Position – Financial Instruments Issued to Investors” for details.

Lease Liabilities

We recognized lease liabilities of RMB11.6 million, RMB34.6 million, RMB52.4 million, RMB54.7 million and RMB53.0 million as of December 31, 2021, 2022 and 2023, March 31, 2024 and May 31, 2024, respectively. The increase from December 31, 2021 to March 31, 2024 was primarily attributable to our lease of office premises to support our overall business growth. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31, 2024	May 31, 2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Lease liabilities					
Current	5,380	18,412	18,521	19,020	18,366
Non-current	6,196	16,223	33,927	35,651	34,620
Total	<u>11,576</u>	<u>34,635</u>	<u>52,448</u>	<u>54,671</u>	<u>52,986</u>

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Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively.

Indebtedness Statement

Except as disclosed above, as of May 31, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since May 31, 2024 and up to the Latest Practicable Date. Our Directors have confirmed that there were no material covenants on any of our outstanding debts and that we had no default in repayment or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors have further confirmed that we did not experience any difficulty in obtaining bank loans and other borrowings, default in repayment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated, or for the periods indicated:

	As of/Year ended December 31,			As of/Three months ended
	2021	2022	2023	March 31, 2024
Gross profit margin (%) ⁽¹⁾	36.1	29.4	24.7	60.9
Current ratio ⁽²⁾	0.3	0.2	0.1	0.1
Quick ratio ⁽³⁾	0.3	0.2	0.1	0.1
Cash ratio ⁽⁴⁾	0.3	0.2	0.1	0.1

(1) Gross profit margin is calculated by dividing gross profit by our revenue for the period indicated.

(2) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.

(3) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the date indicated.

(4) Cash ratio is calculated by dividing the sum of cash and cash equivalents and financial assets at fair value through profit or loss recorded as current assets by the total current liabilities as of the date indicated.

FINANCIAL INFORMATION

R&D EXPENDITURE AND TOTAL OPERATING EXPENDITURE

During the Track Record Period, our R&D expenditure primarily consisted of R&D expenses adjusted by adding back intangible assets related to R&D software acquired from third parties and capitalized and deducting amortization expenses for capitalized intangible assets included in R&D expenditure. The table below sets forth our annual and total R&D expenditure for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
R&D expenses	595,380	764,075	1,362,531	266,483	339,379
Adjustments:					
Add: Intangible assets related to R&D software acquired from third parties and capitalized	7,949	19,079	87,428	39,174	2,288
Less: Amortization expenses of capitalized intangible assets included in R&D expenditure	(9,808)	(16,761)	(30,577)	(5,581)	(9,980)
Annual R&D expenditure	<u>593,521</u>	<u>766,393</u>	<u>1,419,382</u>	<u>300,076</u>	<u>331,687</u>
Total R&D expenditure			<u><u>2,779,296⁽¹⁾</u></u>		<u><u>3,110,983⁽²⁾</u></u>

Notes:

- (1) Total R&D expenditure for the three financial years prior to Listing.
- (2) Total R&D expenditure over the Track Record Period.

FINANCIAL INFORMATION

The table below sets forth our annual and total operating expenditure for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
R&D expenses	595,380	764,075	1,362,531	266,483	339,379
Selling expenses	50,842	119,732	101,842	24,014	24,644
General and administrative expenses	111,703	215,239	318,975	61,084	90,299
Adjustments:					
Add: Intangible assets related to R&D software acquired from third parties and capitalized	7,949	19,079	87,428	39,174	2,288
Less: Amortization expenses of capitalized intangible assets included in R&D expenditure	(9,808)	(16,761)	(30,577)	(5,581)	(9,980)
Annual total operating expenditure	<u>756,066</u>	<u>1,101,364</u>	<u>1,840,199</u>	<u>385,174</u>	<u>446,630</u>
Total operating expenditure			<u><u>3,697,629⁽¹⁾</u></u>		<u><u>4,144,259⁽²⁾</u></u>

Notes:

- (1) Total operating expenditure for the three financial years prior to Listing.
- (2) Total operating expenditure over the Track Record Period.

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The table below sets forth our annual R&D expenditure ratio and total R&D expenditure ratio for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
Annual R&D expenditure ratio⁽¹⁾	78.5%	69.6%	77.1%	77.9%	74.3%
Total R&D expenditure ratio			75.2% ⁽²⁾		75.1% ⁽³⁾

Notes:

- (1) Calculated by dividing annual R&D expenditure by annual total operating expenditure.
- (2) Calculated by dividing total R&D expenditure for the three financial years prior to Listing by total operating expenditure for the three financial years prior to Listing.
- (3) Calculated by dividing total R&D expenditure over the Track Record Period by total operating expenditure over the Track Record Period.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures primarily consisted of expenditures on property, plant and equipment for computers, electronic equipment and office equipment. The table below sets forth our capital expenditure for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Purchase of property, plant and equipment	25,539	50,056	81,426	13,423	17,080
Purchase of intangible assets	8,278	21,030	89,027	39,307	2,288
Total	<u>33,817</u>	<u>71,086</u>	<u>170,453</u>	<u>52,730</u>	<u>19,368</u>

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Our capital expenditures were RMB33.8 million, RMB71.1 million, RMB170.5, RMB52.7 million and RMB19.4 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. We expect to incur additional capital expenditures in 2024 primarily for purchase of property, plant and equipment and purchase of intangible assets. We expect to finance such capital expenditures through operating cash flows. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

In November 2022, Dark Benne Limited, our wholly owned subsidiary, entered into an agreement to invest in a limited partnership funds as a limited partner with a total consideration of RMB20.0 million. Related cash injection was settled in full subsequently in April 2023. See Note 21 to the Accountant's Report in Appendix I.

As of December 31, 2021 and 2023 and March 31, 2024, we did not have any material commitments.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 34 the Accountant's Report in Appendix I was conducted in the ordinary course of business and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Market risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. Our businesses are principally conducted in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents denominated in USD.

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We are primarily exposed to changes in RMB/USD exchange rates in our domestic subsidiaries whose functional currency is RMB. As of December 31, 2021, 2022 and 2023 and March 31, 2023 and 2024, if the USD strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the year ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and the profit before income tax for the three months ended March 31, 2024 would have been approximately RMB126 thousand, RMB2.4 million lower/higher, RMB20.9 million higher/lower, RMB10.2 million higher/lower and RMB22.1 million lower/higher, respectively, as a result of net foreign exchange gains for the years ended December 31, 2021 and 2022 on translation of net monetary assets denominated in USD, and net foreign exchange losses for the year ended December 31, 2023 and the three months ended March 31, 2023 and 2024 on translation of net monetary liabilities denominated in USD.

We recorded currency translation gain/(loss) recognized in other comprehensive income of RMB62.8 million, RMB(396.6) million, RMB(148.3) million, RMB89.5 million and RMB(23.6) million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. Currency translation difference is recognized in other comprehensive income/(loss) and represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Company and the Group. The fluctuation of currency translation differences during the Track Record Period was primarily due to the exchange rate changes of USD against the reporting currency RMB, which resulted in the changes in book value of the U.S. dollar-dominated convertible redeemable preferred shares.

Cash flow and fair value interest rate risk

Our interest rate risk primarily arises from borrowings, financial assets measured at fair value through profit or loss and cash and cash equivalents. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose us to fair value interest rate risk. We did not use any interest rate swap contracts or other financial instruments to hedge against our interest rate risk for the Track Record Period.

As of December 31, 2021, 2022 and 2023 and March 31, 2024, we were not exposed to significant interest rate risk. We regularly monitor our interest rate risk to ensure there is no undue exposure to significant interest rate risk.

Price risk

Our exposure to securities price risk arises from investments held by us and classified in the consolidated statements of financial position as at financial assets at fair value through profit or loss. (Loss)/profit before income tax for the year/period would decrease/increase as a result of gains/losses on securities classified as “Other (losses)/gains – net.”

FINANCIAL INFORMATION

Credit risk

We are exposed to credit risk in relation to our cash and cash equivalents, financial assets measured at fair value through profit or loss, trade and notes receivables, other receivables and loan receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Credit risk of cash and cash equivalents

To manage this risk, our subsidiaries in China only make transactions with state-owned banks or reputable commercial banks which are all high-credit-quality financial institutions. 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. The identified credit losses are immaterial.

Part of our cash and cash equivalents are deposited in overseas financial institutions. Considering related credit rating, local laws and regulations of relevant regulatory authorities, as well as the transferability of deposits after the statement of financial position date, we believe that there is no significant credit risk as of December 31, 2021, 2022 and 2023 and March 31, 2024.

Credit risk of trade and notes receivables

We apply the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the Gross Domestic Product (“GDP”) and the growth rate of information technology industry to be the most relevant factor in Mainland China, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade and notes receivables are related to customers who are experiencing unexpected economic difficulties. We expect that the amounts of the receivables will partially or entirely have difficulty to be recovered and have recognized impairment losses.

We expect that the credit risk associated with notes receivables to be low. We have assessed the expected credit losses rate for notes receivables, which are immaterial under lifetime expected credit losses method, and thus the loss allowance is immaterial.

FINANCIAL INFORMATION

Credit risks of other receivables (including amount due from related parties)

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables (including amount due from related parties) based on historical settlement records and past experience. We believe that there is no material credit risk inherent in our outstanding balance of other receivables.

Other receivables mainly comprise deposits and amount due from related parties. We consider the probability of default on an ongoing basis throughout each year or period of the Track Record Period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. We consider available reasonable and supportive forwarding-looking information. In particular, the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

As of December 31, 2021, 2022 and 2023 and March 31, 2024, there was no significant increase in credit risk since initial recognition, we determined that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

Credit risk of loan receivables

We implemented expected credit loss model for loan receivables as summarized below:

- The loan receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by us. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), we are required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

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We had loan receivables with the amount of RMB5.9 million as of December 31, 2021. These loan receivables were collected in full in 2022. We had no outstanding loan receivables as of December 31, 2022 and 2023 and March 31, 2024. As of December 31, 2021, there were no significant increase in credit risk since initial recognition. We determined that the expected credit losses for loan receivables within the next 12 months were not material.

Credit risk of financial assets at fair value through profit or loss

We are also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The carrying amounts of these investments were nil, RMB706.5 million, RMB29.0 million and RMB29.1 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively, representing the maximum exposure at the end of each reporting period.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. We historically financed our working capital requirements through borrowing from bank, issue of Preferred shares and convertible notes.

Our management monitors rolling forecasts of our liquidity reserve on the basis of expected cash flows. We recognize the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

For the analysis of our financial liabilities into relevant maturity groupings based on the remaining period at each balance sheet date to the contractual maturity date for all non-derivative financial liabilities, see Note 3 to the Accountant's Report in Appendix I.

DIVIDENDS AND DIVIDEND POLICY

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. We did not declare or distribute any dividend to our Shareholders during the Track Record Period. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. As advised by our Cayman legal advisors, we are a holding company incorporated under the laws of the Cayman Islands, pursuant to which, the financial position of accumulated losses does not prohibit us from declaring and paying dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability, provided that our Company satisfies the solvency test set out in the Cayman Companies Act.

FINANCIAL INFORMATION

WORKING CAPITAL

The Directors are of the opinion that, taking into account of the financial resources available to us, including (i) our future operating cash flows in respective periods; (ii) cash and cash equivalents; (iii) current financial assets at fair value through profit or loss; (iv) available bank facilities; and (v) the estimated net proceeds from the Global Offering, we have sufficient working capital for our requirements for at least the next 12 months from the date of this Prospectus.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, (ii) purchases of property, plant and equipment, (iii) payments for intangible assets, (iv) principal payments of lease liabilities, and (v) interest paid for lease liabilities. We consider these items to be key indicators of our operational efficiency, reflecting payments which can significantly impact our cashflow, such as our capital expenditures representing significant cash outflows, our investment in intellectual property or technology, and the costs of financing lease obligations, all of which may occur on a regular basis. Our historical cash burn rate was RMB56.6 million, RMB70.1 million, RMB100.8 million, RMB107.4 million and RMB105.1 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively, mainly representing our investment in R&D activities. We had a relatively lower cash burn rate in the second half of 2023, amounting to RMB87.9 million, attributable to our enhanced operating cash flow and growth of revenue, as well as a decrease in purchase of property, plant and equipment. During the Track Record Period, we recorded substantial expenditure in purchase of property, plant and equipment and payments for intangible assets primarily due to our significant procurement of servers and EDA tools, respectively, for the R&D activities of our next-generation SoCs. We had cash and cash equivalents, current financial assets at fair value through profit or loss and unutilized banking facilities of RMB1,370.5 million as of May 31, 2024. We estimate that we will receive net proceeds of approximately HK\$985.4 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Offer Size Adjustment Option or Over-allotment Option is exercised and assuming an Offer Price of HK\$29.15 per Offer Share, being the mid-point of the indicative Offer Price range in this Prospectus. Assuming that the average cash burn rate going forward will be RMB87.9 million, similar to the cash burn rate level in the six months ended December 31, 2023 based on the underlying assumptions that (i) the number of our employees will not increase significantly, particularly in the R&D department; (ii) we do not expect substantial capital investment; and (iii) we do not expect significant acquisitions of fixed assets, we estimate that our cash and cash equivalents, current financial assets at fair value through profit or loss and unutilized banking facilities as of May 31, 2024 will be able to maintain our financial viability for 15.6 months or, if we take into account 10% of the estimated net proceeds from the Listing (namely, the portion allocated for our working capital and other general corporate purposes), 16.6 months or, if we also take into account the estimated net proceeds from the Listing, 25.8 months. We will continue to monitor our cash flows from operations closely and maintain our financial viability through a variety of means, including, among others, banking facilities and external financings. See “– Indebtedness.” We do not expect to have next round of financing before the Global Offering.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of March 31, 2024, we did not have any distributable reserves.

LISTING EXPENSES

The listing expenses represent professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses, including underwriting commission for the Global Offering, will be approximately HK\$93.2 million (including (i) underwriting commission of approximately HK\$34.8 million, and (ii) non-underwriting related expenses of approximately HK\$58.4 million, which consist of fees and expenses of legal advisors and Reporting Accountant approximately HK\$33.6 million and other fees and expenses of approximately HK\$24.8 million), representing approximately 8.6% of the gross proceeds from the Global Offering, (assuming an Offer Price of HK\$29.15 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option). Among the total listing expenses, approximately HK\$34.6 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity, approximately HK\$40.0 million has been expensed during the Track Record Period, and the remaining amount of approximately HK\$18.6 million is expected to be expensed upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this Prospectus for details.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this Prospectus, save for the recent developments as described in “Summary – Recent Development,” there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since March 31, 2024, being the end date of the periods reported in the Accountant’s Report set out in Appendix I, and there is no event since March 31, 2024 that would materially affect the information shown in the Accountant’s Report set out in Appendix I.

DISCLOSURE REQUIRED UNDER LISTING RULES

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

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

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

USE OF PROCEEDS

Summary

Assuming an Offer Price of HK\$29.15 per Offer Share (being the mid-point of the Offer Price range), we estimate that we will receive net proceeds of approximately HK\$985.4 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 80.0% or HK\$788.3 million will be used for our research and development over the next five years, with the detailed breakdown of the proceeds to be allocated as follows:

Investments in the R&D of automotive-grade intelligent vehicle SoCs, with the breakdown by SoC:

SoC	Allocation of the estimated use of proceeds	Expected timeframe		
		Chip design	Design win	Mass production
C1200	Approximately 10.0%	2022	2024	2025
A2000	Approximately 20.0%	2022	2025	2026
Next generation SoCs	Approximately 20.0%	2025	2027	2028

FUTURE PLANS AND USE OF PROCEEDS

- i. Approximately 30.0% or HK\$295.6 million will be used for the R&D team to develop intelligent vehicle SoCs over the next five years. We aim to attract more talents focusing on cutting-edge technologies worldwide. We will continue to recruit top scientists and engineers from around the world, as well as talents from world-class universities for product design and development. We believe that the expansion of our R&D team will greatly improve our capability in the development of intelligent vehicle SoCs and IP cores. The details of our recruitment plan are set forth as below:

Position	Estimated number of personnel to be hired	Estimated total number of personnel to be remunerated <i>(including existing and newly hired personnel)</i>	Basic selection criteria	Expected years of experience	Estimated average salary per annum <i>(RMB in millions)</i>
Senior chip design engineers	10	20	<ul style="list-style-type: none"> • Master's degree or above • Over five years of relevant work experience • Proficient in hardware description languages and scripting languages; proficient in ASIC design tools and familiar with ASIC design flow 	5-10	0.6
Algorithm optimization engineers	20	30	<ul style="list-style-type: none"> • Master's degree or above in computer science, electronic information, automation, mathematics, vehicle engineering or other relevant majors • Over five years of relevant work experience • Solid programming skills and good mathematical modeling skills; familiar with commonly used tracking algorithm frameworks 	5-8	0.5

FUTURE PLANS AND USE OF PROCEEDS

Position	Estimated number of personnel to be hired	Estimated total number of personnel to be remunerated <i>(including existing and newly hired personnel)</i>	Basic selection criteria	Expected years of experience	Estimated average salary per annum <i>(RMB in millions)</i>
Compiler development engineers	10	20	<ul style="list-style-type: none"> • Master's degree or above in computer science, electrical engineering or other relevant majors with over three years of relevant work experience; or bachelor's degree with over five years of relevant work experience • Deep understanding of computer architecture and neural network computing; solid embedded programming skills and strong programming abilities 	3-8	0.5
ADAS algorithm engineers	20	45	<ul style="list-style-type: none"> • Master's degree or above in computer science, automation, electronics, or other relevant majors • Over five years of relevant work experience • Solid programming skills and knowledge base in machine learning and deep learning 	5-8	0.5

- ii. Approximately 20.0% or HK\$197.1 million will be used to procure materials, tape-out services and software, for R&D of intelligent vehicle SoCs and automotive-grade IP cores. We plan to develop automotive-grade intelligent vehicle SoCs with the next-generation E/E architecture. Such reliable and scalable chips are expected to realize various smart cockpits and autonomous driving functions for future intelligent vehicles in a wide range of application scenarios. We expect to launch SoC A2000 in 2024 and continue to iterate and upgrade our intelligent vehicle SoCs thereafter, including further development and commercialization of the Wudang Series cross-domain SoCs. The details of our procurement plan are set forth as below:

Products or services to be procured	Allocation of the estimated use of proceeds
Materials	Approximately 5.0%
Tape-out services	Approximately 10.0%
Software and IP	Approximately 5.0%

FUTURE PLANS AND USE OF PROCEEDS

Investments in the development of intelligent vehicle support software

- i. Approximately 25.0% or HK\$246.4 million will be used over the next five years for the development and upgrade of our support software for intelligent vehicles, consisting of (i) a hardware driver layer which supports our various chips; (ii) software driver compatible with different operating systems, such as Linux and QNX; (iii) middleware and algorithms for a wide range of autonomous driving and smart cockpit scenarios, and (iv) toolchains for the proprietary software algorithms and applications for our customers. We intend to continue the iteration and upgrade of our software platforms and toolchains with a view to enriching an ecosystem attracting and connecting more industry participants. We expect to invest in our software and platform development team and further recruit software development personnel with extensive experiences in the industry. In addition, we plan to continue to procure systems and hardware to further improve our development platforms. The details of our recruitment plan are set forth as below:

Position	Estimated number of personnel to be hired	Estimated total number of personnel to be remunerated <i>(including existing and newly hired personnel)</i>	Basic selection criteria	Expected years of experience	Estimated average salary per annum <i>(RMB in millions)</i>
Software engineers	30	60	<ul style="list-style-type: none"> • Bachelor's degree or above in computer science, communications, electronics, automotive or other relevant majors • Over five years of relevant work experience with expertise in mass-produced chip projects 	5-10	0.5

Investments in the development of autonomous driving solutions, with the breakdown by solution:

Solution	Allocation of the estimated use of proceeds	Expected timeframe		
		Algorithm development	Solution adaptation	Mass production
Next-generation V2X edge computing solution	Approximately 2.0%	2024 Q1	2024 Q2	2024 Q3
Next-generation add-on adaptive safety system Patronus	Approximately 3.0%	2024 Q1	2024 Q2	2024 Q3

FUTURE PLANS AND USE OF PROCEEDS

- i. Approximately 5.0% or HK\$49.3 million will be used for the development of autonomous driving solutions, such as the next-generation V2X edge computing solution and the next-generation add-on adaptive safety system Patronus, over the next five years. We intend to continue the iteration and upgrade of our software platforms and toolchains with a view to enriching an ecosystem attracting and connecting more industry participants. Such proceeds will be used for our software and platform development team and continuous recruitment of software developers with extensive industry experience. Furthermore, we plan to continue to procure materials for system development and testing to further improve our products. The details of our recruitment plan are set forth as below:

Position	Estimated number of personnel to be hired	Estimated total number of personnel to be remunerated <i>(including existing and newly hired personnel)</i>	Basic selection criteria	Expected years of experience	Estimated average salary per annum <i>(RMB in millions)</i>
Firmware development engineers	5	5	<ul style="list-style-type: none"> • Bachelor's degree or above in electronics, computer science or other relevant majors • Over three years of relevant work experience 	3-8	0.3
Software engineers	5	10	<ul style="list-style-type: none"> • Bachelor's degree or above in computer science, communications, electronics, automotive or other relevant majors • Over five years of relevant work experience with expertise in mass-produced chip projects 	5-10	0.5
Test engineers	10	10	<ul style="list-style-type: none"> • Bachelor's degree or above in automation, computer science, software, communications, vehicle engineering or other relevant majors • Over three years of relevant work experience 	3-8	0.3

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 10.0% or HK\$98.5 million will be used for improvement of our commercialization capability, which includes:
 - i. Approximately 5.0% or HK\$49.3 million will be used for sales and marketing over the next five years, including expanding our sales and service network, improving the service quality, and enhancing our brand awareness. We are committed to expanding the sales of our autonomous driving SoCs and solutions and broadening our customer base. In particular, we expect to continuously recruit more marketing and sales personnel with adequate industry knowledge. We aim to improve our service quality and facilitate the product customization to meet our customers' evolving needs for autonomous driving solutions. In addition, we expect to launch promotion campaigns and participate in exhibitions and forums to further enhance our brand awareness. Such investments in sales and marketing activities will allow us to engage more automotive OEMs and Tier 1 suppliers, expand our customer base and scale our business. The details of our recruitment plan are set forth as below:

Position	Estimated number of personnel to be hired	Estimated total number of personnel to be remunerated <i>(including existing and newly hired personnel)</i>	Basic selection criteria	Expected years of experience	Estimated average salary per annum <i>(RMB in millions)</i>
Product application engineers	5	15	<ul style="list-style-type: none"> • Bachelor's degree or above in computer science, communications, automation, electronics, vehicle engineering or other relevant majors • Over three years of relevant work experience 	3-8	0.4
Product managers	5	10	<ul style="list-style-type: none"> • Bachelor's degree or above in computer science, communications, automation, electronics, vehicle engineering or other relevant majors • Over three years of relevant work experience 	3-8	0.4

FUTURE PLANS AND USE OF PROCEEDS

- ii. Approximately 5.0% or HK\$49.3 million will be used for our business teams over the next five years, including operation teams and on-site customer support teams in China, as well as local support and delivery teams in Singapore, the U.S. and other geographic markets such as Europe and Japan, so as to collaborate with international customers, including international automotive OEMs and Tier 1 suppliers. We plan to recruit business professionals with rich experience in the chip industry from China and abroad. Our growing business teams will facilitate the commercialization of our chips and solutions as well as our expansion in overseas markets. The details of our recruitment plan are set forth as below:

Position	Estimated number of personnel to be hired	Estimated total number of personnel to be remunerated <i>(including existing and newly hired personnel)</i>	Basic selection criteria	Expected years of experience	Estimated average salary per annum <i>(RMB in millions)</i>
Operations personnel	15	15	<ul style="list-style-type: none"> • Bachelor's degree or above • Over three years of relevant work experience 	3-5	0.3
Customer field support & delivery personnel	15	15	<ul style="list-style-type: none"> • Bachelor's degree or above • Over three years of relevant work experience 	3-5	0.3

- Approximately 10.0% or HK\$98.5 million will be used for working capital and general corporate purposes, in particular for procuring inventories for mass production of our SoCs.

If the Offer Price is set at the high-end of the Offer Price range or the low-end of the Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$41.3 million and HK\$41.3 million, respectively. To the extent our net proceeds from the Global Offering are either more or less than expected, we will increase or decrease the intended use of our net proceeds for the above purposes on a pro rata basis.

If both the Offer Size Adjustment Option and the Over-allotment Option are fully exercised, our Company will receive additional net proceeds of approximately HK\$347.8 million for 11,932,500 Shares to be allotted and issued upon the full exercise of the Offer Size Adjustment Option and the Over-allotment Option based on the Offer Price of HK\$29.15 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, we will only deposit the unused net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Huatai Financial Holdings (Hong Kong) Limited
CCB International Capital Limited
BOCI Asia Limited
CLSA Limited
GF Securities (Hong Kong) Brokerage Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 1,850,000 Hong Kong Offer Shares and the International Offering of initially 35,150,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Offer Size Adjustment Option and the Over-Allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 1,850,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be offered pursuant to the Global Offering as mentioned herein and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions set out in this Prospectus and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

For applicants applying under the Hong Kong Public Offering, this Prospectus contains the terms and conditions of the Hong Kong Public Offering. The International Offering is expected to be fully underwritten by the International Underwriters.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange:

- (i) there shall develop, occur, exist or come into force:
 - (a) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19 and related variants, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), aircraft collision, sanctions, strikes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting the Cayman Islands, the British Virgin Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore and Japan or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”);
 - (b) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, taxation, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies) or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

UNDERWRITING

- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant competent authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent governmental authority in or affecting any of the Relevant Jurisdictions;
- (f) the imposition of sanctions under any sanctions laws or regulations in, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- (g) other than with the prior written consent of the Joint Sponsors and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by the Company of a supplement or amendment to this Prospectus or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (h) any demand by creditors for repayment of indebtedness, or an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

UNDERWRITING

- (i) any litigation, dispute, legal action or claim or regulatory investigation or action being threatened, instigated or announced against the Company, any member of the Group or any Director or senior management of the Company;
- (j) any contravention by any member of the Group or any Director or member of the senior management of the Company of any applicable laws and regulations including the Listing Rules;
- (k) any Director or any member of the senior management of the Company vacating his or her office;
- (l) a governmental authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;
- (m) a prohibition by a governmental authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Option Shares) pursuant to the terms of the Global Offering;
- (n) any non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or
- (o) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed “Risk Factors” in this Prospectus,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder’s equity, profit, losses, earnings, results of operations, performance, position or condition, financial, operational or otherwise, of the Group as a whole; (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; (3) makes, will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this Prospectus; or (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (ii) there has come to the notice of the Joint Sponsor-Overall Coordinators that:
- (a) any statement contained in Hong Kong Public Offering Documents, the Disclosure Package, the Preliminary Offering Circular, the Final Offering Circular, the Formal Notice, the HK Information Packs (as defined in the Hong Kong Underwriting Agreement), and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto (the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
 - (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from, or misstatement in, any of the Offer Related Documents;
 - (c) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Warrantors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;
 - (d) there is a breach of any of the obligations imposed upon any party (other than the Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;
 - (e) there is an event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
 - (f) there is any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, performance, position or condition, financial, operational or otherwise, of the Group as a whole;

UNDERWRITING

- (g) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued or sold pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option and the Offer Size Adjustment Option), other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (h) any person (other than the Joint Sponsors) has withdrawn its consent to the issue of this Prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (i) the Company withdraws the Prospectus (and/or any other documents issued or used in connection with the Global Offering), or the Global Offering;
- (j) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Over-allotment Option and the Offer Size Adjustment Option) pursuant to the terms of the Global Offering;
- (k) any Director or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or member of senior management of the Company in his or her capacity as such or any member of the Group or the Single Largest Shareholder or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or
- (l) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled,

then the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their absolute discretion and upon giving notice orally or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into Shares (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for:

- (a) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;
- (b) any capitalization issue, capital reduction or consolidation or sub-division of Shares;
- (c) issue of Shares or securities pursuant to the Global Offering (including any exercise of the Offer Size Adjustment Option and the Over-Allotment Option); and
- (d) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by Mr. Shan, Key Persons and Pathfinder SIIs

Pursuant to Rules 18C.13 and 18C.14 of the Listing Rules, each of Mr. Shan, key persons of the Company and the Pathfinder SIIs (including Northern Light SIIs and the Oceanpine SIIs), and their respective close associates, as identified under the section headed “History and Corporate Structure – Lock-up Periods”, has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option), it will not, unless otherwise permitted under Rule 18C.15 of the Listing Rules: at any time in the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 12 months (or 6 months in the case of the Pathfinder SIIs) from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this Prospectus to be the beneficial owner.

Note 2 to Rule 18C.14 of the Listing Rules provides that the above undertakings do not prevent such persons from using the Shares beneficially owned by it/him/her as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

UNDERWRITING

Further, pursuant to Note 2 to 18C.14 of the Listing Rules, each of such persons has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 12 months (or 6 months in the case of the Pathfinder SIIs) from the Listing Date:

- (a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us and the Stock Exchange of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us and the Stock Exchange of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters, if any, by such persons and disclose such matters as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to each of the Joint Sponsors, the Joint Sponsor-Overall Coordinators, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate Capital Market Intermediaries and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Offer Size Adjustment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “**First Six-Month Period**”), it will not, without the prior written consent of the Joint Sponsors and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, repurchase, sell, accept subscription for, offer to allot, issue, repurchase or sell, contract or agree to allot, issue, repurchase or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue, repurchase or sell, or otherwise transfer or dispose of or create an encumbrance (an “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any securities of the Company), or deposit any equity securities of the Company with a depositary in connection with the issue of depositary receipts; or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any equity securities of the Company or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of such securities, in cash or otherwise (whether or not the issue of such securities will be completed within the First Six-Month Period). In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or any other securities of the Company. The Single Largest Shareholder has undertaken to each of the Joint Sponsors, the Joint Sponsor-Overall Coordinators, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate Capital Market Intermediaries and the Hong Kong Underwriters to procure the Company to comply with the undertakings herein.

Undertakings by the Single Largest Shareholder

The Single Largest Shareholder has undertaken to each of the Joint Sponsors, the Joint Sponsor-Overall Coordinators, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except pursuant to the Stock Borrowing Agreement:

- (i) it will not, and will procure that none of the relevant registered holder(s) or the relevant affiliates, close associates or companies controlled by it or the relevant Proxy Shareholders under the Voting Trust Agreements will, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is 12 months after the Listing Date (“**12-Month Period**”), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly,

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conditionally or unconditionally, any Shares or other securities of the Company or any legal or beneficial interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or other securities of the Company) beneficially owned by it and the Proxy Shareholders (the “**Locked-up Securities**”) or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities; or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or contract to or agree to, or publicly announce any intention to enter into any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the 12-Month Period); and

- (ii) without limiting the above, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will, and will procure the Proxy Shareholders to, (a) if and when it or the relevant registered holder(s) pledges or charges any Locked-up Securities, immediately inform the Company in writing of such pledge or charge together with the number of Locked-up Securities so pledged or charged; and (b) if and when it or the relevant registered holder(s) receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged Locked-up Securities will be disposed of, immediately inform the Company in writing of such indications.

provided nothing in these undertakings shall prevent (a) Mr. Shan from using the Locked-up Securities as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and (b) the lending of Shares pursuant to the Stock Borrowing Agreement.

The Company has undertaken that, as soon as practicable upon receiving such information in writing from Mr. Shan and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Indemnity

Our Company has agreed to indemnify, among others, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate Capital Market Intermediaries and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

UNDERWRITING

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-Allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to subscribe for or purchase or procure subscribers or purchasers for their respective proportions of the International Offer Shares which are not taken up under the International Offering. See “Structure of the Global Offering – The International Offering.”

Over-Allotment Option

The Company is expected to grant to the International Underwriters the Over-Allotment Option, exercisable by the Joint Sponsor-Overall Coordinators on behalf of the International Underwriters during the 30-day period from the last day for lodging of applications under the Hong Kong Public Offering, which will end on Wednesday, September 4, 2024, to require the Company to issue and allot up to an aggregate of 5,550,000 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all, or 6,382,500 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is exercised in full, at the Offer Price to cover over-allocations in the International Offering, if any. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed. See “Structure of the Global Offering – The International Offering – Over-Allotment Option.”

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Commissions and Expenses

All Capital Market Intermediaries participating in the Global Offering will receive an underwriting commission equivalent to 2.50% of the aggregate Offer Price payable in respect of all of the Offer Shares (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Offer Size Adjustment Option) (the “**Gross Proceeds**”) and an additional discretionary incentive fee, in the Company’s sole discretion, up to US\$1 million, assuming that the Over-allotment Option and the Offer Size Adjustment Option are not exercised and the Gross Proceeds are US\$138.1 million, which is based on an Offer Price of HK\$29.15 per Offer Share, being the mid-point of the Offer Price range.

Assuming the discretionary fee is paid in full, the ratio of the fixed fee and discretionary fee payable to all Capital Market Intermediaries is approximately 60:40, assuming an Offer Price of HK\$29.15 per Offer Share, being the mid-point of the Offer Price range and that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay the underwriting commission for such Shares to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate amount of sponsor fee payable by the Company to the Joint Sponsors is US\$1,000,000.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$91.1 million (assuming an Offer Price of HK\$29.15 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the Discretionary Fees and the Over-allotment Option and the Offer Size Adjustment Option are fully exercised) and will be paid by the Company.

Over-Allotment and Stabilization

Details of the arrangements relating to the Over-Allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering.”

INDEPENDENCE OF THE JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “*Structure of the Global Offering.*” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager through its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited are the Joint Overall Coordinators of the Global Offering.

37,000,000 Offer Shares will be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of 1,850,000 Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong as described in the paragraph headed “– The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of initially 35,150,000 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-Allotment Option) outside the United States in reliance on Regulation S, as described in the paragraph headed “– The International Offering” below.

Investors may either:

- (a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (b) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 6.50% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-Allotment Option are not exercised. If the Offer Size Adjustment Option and the Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 8.42% of the total Shares in issue immediately following the completion of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 1,850,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Offer Shares initially available under the Global Offering. The number of Shares offered under the Hong Kong Public Offering, subject to any adjustment of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.33% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and Over-Allotment Option are not exercised.

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The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “– Conditions of the Global Offering” below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools (with any odd lots being allocated to pool A), pool A (being an aggregate of 925,000 Shares) and pool B (being an aggregate of 925,000 Shares). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 925,000 Hong Kong Offer Shares, being 50% of the 1,850,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 and 18C.09 of the Listing Rules requires a clawback mechanism to put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached (“**Mandatory Reallocation**”):

- (a) 1,850,000 Offer Shares available in the Hong Kong Public Offering, representing 5% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed

- (b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 3,700,000 Offer Shares, representing 10.00% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering such that the total number of Offer Shares initially available under the Hong Kong Public Offering will be 7,400,000 Offer Shares, representing 20.00% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Sponsor-Overall Coordinators deem appropriate. In addition, the Joint Sponsor-Overall Coordinators may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In addition to any Mandatory Reallocation which may be required, the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as

STRUCTURE OF THE GLOBAL OFFERING

to less than 10 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering **provided that** the Offer Price would be set at the bottom end of the indicative Offer Price range, being HK\$28.00, up to 1,850,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 3,700,000 Offer Shares, representing 10.00% of the number of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised (before any exercise of the Over-Allotment Option), in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Sponsor-Overall Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$30.30 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “– Pricing of the Global Offering” below, is less than the Maximum Offer Price of HK\$30.30 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares.”

References in this Prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

Subject to reallocation as described above, the International Offering will consist of an offering of initially 35,150,000 Shares, representing 95% of the total number of Offer Shares initially available under the Global Offering and approximately 6.18% of the total Shares in issue immediately after the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-Allotment Option are not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States only in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “– Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole. In addition, pursuant to Rule 18C.08 of the Listing Rules, at least 50% of the total number of shares offered in the Global Offering (including any shares to be issued pursuant to the exercise of the Offer Size Adjustment Option but excluding any shares to be issued pursuant to the exercise of the Over-allotment Option) will be taken up by independent price setting investors, as defined under the Listing Rules, in the International Offering.

The Joint Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered the Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Overall Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and Clawback

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of, amongst others, the clawback arrangement described in the paragraph headed “– The Hong Kong Public Offering – Reallocation and Clawback” above, the exercise of the Offer Size Adjustment Option and/or the Over-Allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, the Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Joint Sponsor-Overall Coordinators and the Joint Sponsors on or before the Price Determination and will expire upon execution of the International Underwriting Agreement and the Price Determination Agreement.

Under the Offer Size Adjustment Option, the Company may issue any number of Shares up to an aggregate of 5,550,000 additional Offer Shares at the Offer Price. These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in “- Reallocation and Clawback” in this section and the Joint Sponsor-Overall Coordinators shall allocate new Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

If the Offer Size Adjustment Option is exercised in full, the Offer Size Adjustment Option Shares to be issued pursuant thereto will represent approximately 0.97% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the exercise of the Offer Size Adjustment Option.

STRUCTURE OF THE GLOBAL OFFERING

The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (“Original Subscribers”)	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option	Approximate percentage of the total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option
37,000,000	6.50%	42,550,000	6.44%

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilization) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

Over-Allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-Allotment Option to the International Underwriters exercisable by the Joint Sponsor-Overall Coordinators on behalf of the International Underwriters.

Pursuant to the Over-Allotment Option, the International Underwriters have the right, exercisable by the Joint Sponsor-Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 5,550,000 additional Offer Shares assuming the Offer Size Adjustment is not exercised, representing 15% of the Offer Shares, or 6,382,500 additional Offer Shares, representing 15% of the Offer Shares assuming the Offer Size Adjustment is fully exercised at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any. If the Over-Allotment Option is exercised in full and the Offer Size Adjustment is not exercised, the additional Offer Shares will represent approximately 0.97% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.97% of our issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the additional Offer Shares to be issued pursuant to the Over-allotment Option will represent approximately 1.10% of our issued share capital immediately following the completion of the Global Offering and the Over-allotment Option. In the event that the Over-Allotment Option is exercised, an announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager through its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares for a limited period after the Listing Date at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager through its affiliates of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-Allotment Option. The Stabilizing Manager through its affiliates may close out the covered short position by either exercising the Over-Allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager through its affiliates will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-Allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, **provided that** they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager through its affiliates or any person acting for it to conduct any such stabilizing action, which if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager through its affiliates or any person acting for it, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold and transferred pursuant to the exercise of the Over-Allotment Option, namely, 5,550,000 Offer Shares (assuming the Offer Size Adjustment Option is not exercised) or 6,382,500 additional Offer Shares (assuming the Offer Size Adjustment Option is fully exercised), which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-Allotment Option and the Offer Size Adjustment Option are exercised.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price of the Shares;
- (c) subscribing, or agreeing to subscribe, for the Shares to be sold and transferred pursuant to the exercise of the Over-Allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager through its affiliates, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applications for investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager through its affiliates, or any person acting for it, may maintain a long position in the Shares;
- (b) the size of the long position, and the period for which the Stabilizing Manager through its affiliates, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager through its affiliates and is uncertain;
- (c) liquidation of any such long position by the Stabilizing Manager through its affiliates and selling in the open market may lead to a decline in the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date, and is expected to expire on Wednesday, September 4, 2024, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and their market price, could fall after the end of the stabilizing period. These activities by the Stabilizing Manager through its affiliates may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;
- (e) any stabilizing action taken by the Stabilizing Manager through its affiliates, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

An announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

OFFER SIZE

The allocation and the total number of Offer Shares under the Global Offering will be determined in the following manner:

The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering will be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. See “– The Hong Kong Public Offering – Reallocation and Clawback” above for details.

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares made available as a result, representing 15% of the number of Offer Shares initially being offered under the Global Offering, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering on a post-clawback basis. The Offer Size Adjustment Option will lapse if it is not exercised by the Price Determination Date. See “– The International Offering – Offer Size Adjustment Option” above for details.

The table below sets out a summary of the total number of Hong Kong Offer Shares and International Offer Shares being offered in the Global Offering under different scenarios, depending on (a) whether a reallocation pursuant to the clawback arrangement described in “– The Hong Kong Public Offering – Reallocation and Clawback” above occurs and (b) whether either of the Offer Size Adjustment Option and the Over-allotment Option is exercised at all or exercised in full, or both are exercised in full.

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	No clawback reallocation	10% clawback reallocation	20% clawback reallocation
Total number of Offer Shares before the exercise of the Offer Size Adjustment Option and the Over-allotment Option	1,850,000 Hong Kong Offer Shares 35,150,000 International Offer Shares	3,700,000 Hong Kong Offer Shares 33,300,000 International Offer Shares	7,400,000 Hong Kong Offer Shares 29,600,000 International Offer Shares
Total number of Offer Shares following the exercise in full of the Offer Size Adjustment Option only (the Over-allotment Option is not exercised)	2,127,500 Hong Kong Offer Shares 40,422,500 International Offer Shares	4,255,000 Hong Kong Offer Shares 38,295,000 International Offer Shares	8,510,000 Hong Kong Offer Shares 34,040,000 International Offer Shares
Total number of Offer Shares following the exercise in full of the Over-allotment Option only (the Offer Size Adjustment Option is not exercised)	1,850,000 Hong Kong Offer Shares 40,700,000 International Offer Shares	3,700,000 Hong Kong Offer Shares 38,850,000 International Offer Shares	7,400,000 Hong Kong Offer Shares 35,150,000 International Offer Shares
Total number of Offer Shares following the full exercise of the Offer Size Adjustment Option and the Over-allotment Option	2,127,500 Hong Kong Offer Shares 46,805,000 International Offer Shares	4,255,000 Hong Kong Offer Shares 44,677,500 International Offer Shares	8,510,000 Hong Kong Offer Shares 40,422,500 International Offer Shares

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 5,550,000 Shares (assuming the Offer Size Adjustment Option is not exercised) or 6,382,500 Shares (assuming the Offer Size Adjustment Option is fully exercised), representing 15% of the Offer Shares, from Mr. Shan to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option and the Offer Size Adjustment Option), or acquire Shares from other sources, including the exercising of the Over-allotment Option.

If such Stock Borrowing Arrangement is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rules 10.07(1)(a) and 18C.13 of the Listing Rules, **provided that** the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, being that (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior

STRUCTURE OF THE GLOBAL OFFERING

to the exercise of the Over-allotment Option in connection with the International Offering; (b) the maximum number of Shares to be borrowed from Mr. Shan pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be issued upon full exercise of the Over-Allotment Option; (c) the same number of Shares so borrowed must be returned to Mr. Shan or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-Allotment Option, and (ii) the day on which the Over-Allotment Option is exercised in full or such earlier time as may be agreed in writing between the parties; (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements; and (e) no payments will be made to Mr. Shan by the Stabilizing Manager in relation to the stock borrowing arrangement.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investor indications of interest in acquiring International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, August 6, 2024 and in any event on or before 12:00 noon on Tuesday, August 6, 2024, by agreement among the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$30.30 per Offer Share and is expected to be not less than HK\$28.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this Prospectus.**

The Joint Sponsor-Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.blacksesame.com.cn) notices of the reduction. Upon issue of such a notice, the number

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of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus and any other financial information which may change materially as a result of such reduction. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Sponsor-Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters).

The final Offer Price for Offer Shares under the Global Offering, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocation in the Hong Kong Public Offering are expected to be announced on Wednesday, August 7, 2024 through a variety of channels in the manner described in the section headed “How to apply for Hong Kong Offer Shares – B. Publication of Results.”

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting.”

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and such approval not having been withdrawn;
- (ii) the Offer Price having been duly agreed among the Company and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed among the Company and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) on or before 12:00 noon on Tuesday, August 6, 2024, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.blacksesame.com.cn) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Hong Kong Offer Shares.” In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, August 7, 2024 but will only become valid evidence of title at 8:00 a.m. on Thursday, August 8, 2024 **provided that** (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – The Hong Kong Public Offering – Grounds for Termination” has not been exercised at or before that time.

DEALING IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, August 8, 2024, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, August 8, 2024. The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 2533.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.blacksesame.com.cn.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the HK eIPO White Form service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates;
- are a Director or any of his/her close associates; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Wednesday, July 31, 2024 and end at 12:00 noon on Monday, August 5, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	IPO App (which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp or www.hkeipo.hk)	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, July 31, 2024 to 11:30 a.m. on Monday, August 5, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, August 5, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Applicants who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For the avoidance of doubt, giving an application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. Legal entity identifier ("LEI") registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 100

Permitted number of Hong Kong : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

Offer Shares for application and amount payable on application/successful allotment : The maximum Offer Price is HK\$30.30 per Share.
If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment HK\$
100	3,060.55	2,500	76,513.94	30,000	918,167.26	600,000	18,363,345.30
200	6,121.11	3,000	91,816.73	40,000	1,224,223.02	700,000	21,423,902.86
300	9,181.67	3,500	107,119.51	50,000	1,530,278.78	800,000	24,484,460.40
400	12,242.23	4,000	122,422.30	60,000	1,836,334.54	925,000 ⁽¹⁾	28,310,157.33
500	15,302.79	4,500	137,725.08	70,000	2,142,390.29		
600	18,363.35	5,000	153,027.88	80,000	2,448,446.05		
700	21,423.90	6,000	183,633.45	90,000	2,754,501.80		
800	24,484.46	7,000	214,239.03	100,000	3,060,557.56		
900	27,545.02	8,000	244,844.60	200,000	6,121,115.10		
1,000	30,605.58	9,000	275,450.18	300,000	9,181,672.66		
1,500	45,908.37	10,000	306,055.75	400,000	12,242,230.20		
2,000	61,211.15	20,000	612,111.51	500,000	15,302,787.76		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “– A. Applications for Hong Kong Offer Shares – 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any Offer Shares.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus, the **IPO App** and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the “**Relevant Persons**”), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “– G. Personal Data – 3. Purposes and 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “– B. Publication of Results” in this section;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) confirm that you are aware of the situations specified in the paragraph headed “– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time	
Applying through the HK eIPO White Form service or HKSCC EIPO channel :		
Website	From the “IPO Results” function in the IPO App or at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function.	24 hours, from 11:00 p.m. on Wednesday, August 7, 2024 to 12:00 midnight on Tuesday, August 13, 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the HK eIPO White Form service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result .	
	The Stock Exchange’s website at www.hkexnews.hk and our website at www.blacksesame.com.cn which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Wednesday, August 7, 2024 (Hong Kong time)
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Thursday, August 8, 2024 to Tuesday, August 13, 2024 (Hong Kong time) on a business day

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Tuesday, August 6, 2024 (Hong Kong time)

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, August 6, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the Global Offer, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.blacksesame.com.cn by no later than 11:00 p.m. on Wednesday, August 7, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offer. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, August 8, 2024 (Hong Kong time), provided that the Global Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid evidence of title do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of Share certificate¹		
For application of 500,000 Hong Kong Offer Shares or more	Collection in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong Time: from 9:00 a.m. to 1:00 p.m. on Thursday, August 8, 2024 (Hong Kong time)	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required
	If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.	
	Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	

¹ Except in the event of a Severe Weather Signals (as defined below) in force in Hong Kong in the morning on Wednesday, August 7, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “– E. Severe Weather Arrangements” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 500,000 Hong Kong Offer Shares	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk	
	Date: Wednesday, August 7, 2024	
Refund mechanism for surplus application monies paid by you		
Date	Thursday, August 8, 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, August 5, 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, August 5, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.blacksesame.com.cn of the revised timetable.

If a Severe Weather Signal is hoisted on Wednesday, August 7, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Thursday, August 8, 2024.

If a Severe Weather Signal is hoisted on Wednesday, August 7, 2024, for application of less than 500,000 Hong Kong Offer Shares, the despatch of physical Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, August 7, 2024 or on Thursday, August 8, 2024).

If a Severe Weather Signal is hoisted on Thursday, August 8, 2024, for application of 500,000 Hong Kong Offer Shares or more, physical Share certificate(s) will be available for collection in person at the Hong Kong Share Registrar’s office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, August 8, 2024 or on Friday, August 9, 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

HOW TO APPLY FOR HONG KONG OFFER SHARES

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BLACK SESAME INTERNATIONAL HOLDING LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Black Sesame International Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-97, which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023 and March 31, 2024, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and March 31, 2024, and the consolidated statements of comprehensive (loss)/income, the consolidated statements of changes in deficit in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-97 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated July 31, 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022 and 2023 and March 31, 2024 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and March 31, 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of changes in deficit in equity and the consolidated statement of cash flows for the three months ended March 31, 2023 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 36 to the Historical Financial Information which states that no dividends have been paid by Black Sesame International Holding Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
July 31, 2024

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

	Note	Three months ended				
		Year ended December 31,			March 31,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6	60,504	165,442	312,391	29,256	27,473
Cost of sales	7	<u>(38,632)</u>	<u>(116,811)</u>	<u>(235,248)</u>	<u>(23,793)</u>	<u>(10,737)</u>
Gross profit		21,872	48,631	77,143	5,463	16,736
Selling expenses	7	(50,842)	(119,732)	(101,842)	(24,014)	(24,644)
General and administrative expenses	7	(111,703)	(215,239)	(318,975)	(61,084)	(90,299)
Research and development expenses	7	(595,380)	(764,075)	(1,362,531)	(266,483)	(339,379)
Net impairment losses on financial assets	3.1(b)	(1,844)	(8,484)	(9,412)	(1,882)	(5,547)
Other income	9	18,113	15,361	22,531	12,770	5,937
Other (losses)/gains – net	10	<u>(2,876)</u>	<u>(9,283)</u>	<u>(3,811)</u>	<u>4,521</u>	<u>(2,103)</u>
Operating loss		(722,660)	(1,052,821)	(1,696,897)	(330,709)	(439,299)
Finance income	11	441	16,602	26,416	5,347	9,642
Finance costs	11	<u>(2,386)</u>	<u>(2,668)</u>	<u>(3,377)</u>	<u>(755)</u>	<u>(1,168)</u>
Finance (costs)/income – net	11	<u>(1,945)</u>	<u>13,934</u>	<u>23,039</u>	<u>4,592</u>	<u>8,474</u>
Share of net loss of associates accounted for using the equity method	18	(722)	(987)	(1,441)	(248)	(1,961)
Fair value change in financial instruments issued to investors	28	<u>(1,631,175)</u>	<u>(1,714,062)</u>	<u>(3,179,819)</u>	<u>(780,298)</u>	<u>1,636,088</u>
(Loss)/profit before income tax		(2,356,502)	(2,753,936)	(4,855,118)	(1,106,663)	1,203,302
Income tax expense	12	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit for the year/period attributable to the equity holders of the Company		<u>(2,356,502)</u>	<u>(2,753,936)</u>	<u>(4,855,118)</u>	<u>(1,106,663)</u>	<u>1,203,302</u>

	Note	Three months ended				
		Year ended December 31,			March 31,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Other comprehensive						
income/(loss):						
<i>Items that will not be</i>						
<i>reclassified to profit or loss</i>						
Fair value changes of						
redeemable convertible						
preferred shares due to own						
credit risk						
	28	(11,730)	(10,114)	(5,023)	(3,940)	2,659
Change in foreign currency						
translation of the financial						
statements of the Company						
		51,141	(341,892)	(139,685)	58,128	(18,270)
<i>Items that may be subsequently</i>						
<i>reclassified to profit or loss</i>						
Change in foreign currency						
translation of the financial						
statements of the subsidiaries						
of the Company						
		<u>11,614</u>	<u>(54,756)</u>	<u>(8,664)</u>	<u>31,361</u>	<u>(5,305)</u>
Other comprehensive						
income/(loss):						
		<u>51,025</u>	<u>(406,762)</u>	<u>(153,372)</u>	<u>85,549</u>	<u>(20,916)</u>
Total comprehensive						
(loss)/income for the						
year/period attributable to						
the equity holders of the						
Company						
		<u>(2,305,477)</u>	<u>(3,160,698)</u>	<u>(5,008,490)</u>	<u>(1,021,114)</u>	<u>1,182,386</u>
(Loss)/earnings per share for						
(loss)/income attributable						
to the equity holders of the						
Company (in RMB)						
Basic	13	(32.1)	(38.8)	(68.4)	(15.6)	16.9
Diluted	13	(32.1)	(38.8)	(68.4)	(15.6)	(0.9)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at
	Note	2021	2022	2023	March 31,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
ASSETS					
Non-current assets					
Trade and notes receivables	23	–	–	–	13,974
Property, plant and equipment	15	27,694	55,293	98,589	103,656
Right-of-use assets	16	11,375	33,243	50,848	54,518
Intangible assets	17	13,687	17,417	74,795	66,797
Investments accounted for using the equity method	18	9,604	8,617	17,176	15,215
Prepayments and other receivables	22	10,481	17,152	17,474	15,634
Financial assets at fair value through profit or loss (“FVPL”)	21	–	–	20,792	20,828
Total non-current assets		<u>72,841</u>	<u>131,722</u>	<u>279,674</u>	<u>290,622</u>
Current assets					
Inventories	19	3,220	72,820	71,423	81,813
Trade and notes receivables	23	49,459	125,219	164,937	129,886
Prepayments and other receivables	22	85,045	134,433	97,697	138,184
Financial assets at FVPL	21	–	706,462	8,197	8,316
Cash and cash equivalents	24	1,553,419	982,229	1,298,412	1,053,511
Total current assets		<u>1,691,143</u>	<u>2,021,163</u>	<u>1,640,666</u>	<u>1,411,710</u>
Total assets		<u><u>1,763,984</u></u>	<u><u>2,152,885</u></u>	<u><u>1,920,340</u></u>	<u><u>1,702,332</u></u>
LIABILITIES					
Non-current liabilities					
Borrowings	27	12,255	–	–	–
Lease liabilities	16	6,196	16,223	33,927	35,651
Other payables and accruals	30	28,400	29,657	56,925	12,624
Total non-current liabilities		<u>46,851</u>	<u>45,880</u>	<u>90,852</u>	<u>48,275</u>

		As at December 31,			As at
	Note	2021	2022	2023	March 31,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
Current liabilities					
Trade payables	29	13,083	69,907	68,085	52,370
Contract liabilities	6	252	5,660	7,479	9,459
Borrowings	27	14,035	12,581	–	67,861
Lease liabilities	16	5,380	18,412	18,521	19,020
Other payables and accruals	30	96,772	120,221	239,526	326,377
Financial instruments issued to investors	28	5,249,949	8,386,402	12,589,493	10,977,065
Total current liabilities		<u>5,379,471</u>	<u>8,613,183</u>	<u>12,923,104</u>	<u>11,452,152</u>
Total liabilities		<u>5,426,322</u>	<u>8,659,063</u>	<u>13,013,956</u>	<u>11,500,427</u>
DEFICIT IN EQUITY					
Deficit in equity					
attributable to					
owners of the					
Company					
Share capital	25	46	46	46	46
Reserves	26	175,804	85,900	353,580	445,799
Accumulated losses		(3,838,188)	(6,592,124)	(11,447,242)	(10,243,940)
Total deficit in equity		<u>(3,662,338)</u>	<u>(6,506,178)</u>	<u>(11,093,616)</u>	<u>(9,798,095)</u>
Total deficit in equity		<u>1,763,984</u>	<u>2,152,885</u>	<u>1,920,340</u>	<u>1,702,332</u>
and liabilities					

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31,			As at
		2021	2022	2023	March 31,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
ASSETS					
Non-current assets					
Investments in subsidiaries	14(b)	108,379	211,832	384,385	465,953
Total non-current assets		<u>108,379</u>	<u>211,832</u>	<u>384,385</u>	<u>465,953</u>
Current assets					
Amounts due from subsidiaries	22	816,310	2,173,231	3,090,780	2,890,149
Prepayments and other receivables	22	–	–	2,854	3,306
Financial assets at FVPL	21	–	706,462	8,197	8,316
Cash and cash equivalents	24	1,389,115	250,126	593,161	710,015
Total current assets		<u>2,205,425</u>	<u>3,129,819</u>	<u>3,694,992</u>	<u>3,611,786</u>
Total assets		<u><u>2,313,804</u></u>	<u><u>3,341,651</u></u>	<u><u>4,079,377</u></u>	<u><u>4,077,739</u></u>
Current liabilities					
Financial instruments issued to investors	28	5,124,095	8,350,989	12,589,493	10,977,065
Other payables and accruals	30	7,355	4,111	22,106	24,613
Total current liabilities		<u>5,131,450</u>	<u>8,355,100</u>	<u>12,611,599</u>	<u>11,001,678</u>
Total liabilities		<u>5,131,450</u>	<u>8,355,100</u>	<u>12,611,599</u>	<u>11,001,678</u>
DEFICIT IN EQUITY					
Deficit in equity attributable to owners of the Company					
Share capital	25	46	46	46	46
Reserves	26	165,474	130,326	406,670	504,194
Accumulated losses		(2,983,166)	(5,143,821)	(8,938,938)	(7,428,179)
Total deficit in equity		<u>(2,817,646)</u>	<u>(5,013,449)</u>	<u>(8,532,222)</u>	<u>(6,923,939)</u>
Total deficit in equity and liabilities		<u><u>2,313,804</u></u>	<u><u>3,341,651</u></u>	<u><u>4,079,377</u></u>	<u><u>4,077,739</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT IN EQUITY

	<i>Note</i>	Attributable to equity holders of the Company			
		Share		Accumulated	
		capital	Reserves	losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021		<u>52</u>	<u>95,913</u>	<u>(1,481,686)</u>	<u>(1,385,721)</u>
Comprehensive loss					
Loss for the year		–	–	(2,356,502)	(2,356,502)
Foreign currency translation		–	62,755	–	62,755
Fair value change on redeemable convertible preferred shares due to own credit risk	28	<u>–</u>	<u>(11,730)</u>	<u>–</u>	<u>(11,730)</u>
Total comprehensive loss for the year		<u>–</u>	<u>51,025</u>	<u>(2,356,502)</u>	<u>(2,305,477)</u>
Transactions with owners in their capacity as owners					
Repurchase and cancellation of ordinary shares	25	(6)	(46,500)	–	(46,506)
Share-based compensation	8	–	111,744	–	111,744
Repurchase and cancellation of vested share options	31	<u>–</u>	<u>(36,378)</u>	<u>–</u>	<u>(36,378)</u>
Total transactions with owners in their capacity as owners for the year		<u>(6)</u>	<u>28,866</u>	<u>–</u>	<u>28,860</u>
As at December 31, 2021		<u><u>46</u></u>	<u><u>175,804</u></u>	<u><u>(3,838,188)</u></u>	<u><u>(3,662,338)</u></u>

	<i>Note</i>	Attributable to equity holders of the Company			
		Share	Reserves	Accumulated	Total
		capital		losses	
		RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022		46	175,804	(3,838,188)	(3,662,338)
Comprehensive loss					
Loss for the year		–	–	(2,753,936)	(2,753,936)
Foreign currency translation		–	(396,648)	–	(396,648)
Fair value change on redeemable convertible preferred shares due to own credit risk	28	–	(10,114)	–	(10,114)
Total comprehensive loss for the year		–	(406,762)	(2,753,936)	(3,160,698)
Transactions with owners in their capacity as owners					
Share-based compensation	8	–	339,544	–	339,544
Repurchase and cancellation of vested share options	31	–	(22,686)	–	(22,686)
Total transactions with owners in their capacity as owners for the year		–	316,858	–	316,858
As at December 31, 2022		46	85,900	(6,592,124)	(6,506,178)

	<i>Note</i>	Attributable to equity holders of the Company			
		Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2023		46	85,900	(6,592,124)	(6,506,178)
Comprehensive loss					
Loss for the year		–	–	(4,855,118)	(4,855,118)
Foreign currency translation		–	(148,349)	–	(148,349)
Fair value change on redeemable convertible preferred shares due to own credit risk	28	–	(5,023)	–	(5,023)
Total comprehensive loss for the year		–	(153,372)	(4,855,118)	(5,008,490)
Transactions with owners in their capacity as owners					
Share-based compensation	8	–	421,052	–	421,052
Total transactions with owners in their capacity as owners for the year		–	421,052	–	421,052
As at December 31, 2023		46	353,580	(11,447,242)	(11,093,616)

	<i>Note</i>	Attributable to equity holders of the Company			
		Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)					
As at January 1, 2023		46	85,900	(6,592,124)	(6,506,178)
Comprehensive loss					
Loss for the period		–	–	(1,106,663)	(1,106,663)
Foreign currency translation		–	89,489	–	89,489
Fair value change on redeemable convertible preferred shares due to own credit risk					
	28	–	(3,940)	–	(3,940)
Total comprehensive loss for the period		–	85,549	(1,106,663)	(1,021,114)
Transactions with owners in their capacity as owners					
Share-based compensation	8	–	80,722	–	80,722
Total transactions with owners in their capacity as owners for the period		–	80,722	–	80,722
As at March 31, 2023		46	252,171	(7,698,787)	(7,446,570)

	<i>Note</i>	Attributable to equity holders of the Company			
		Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2024		46	353,580	(11,447,242)	(11,093,616)
Comprehensive income					
Profit for the period		–	–	1,203,302	1,203,302
Foreign currency translation		–	(23,575)	–	(23,575)
Fair value change on redeemable convertible preferred shares due to own credit risk					
	28	–	2,659	–	2,659
Total comprehensive income for the period		–	(20,916)	1,203,302	1,182,386
Transactions with owners in their capacity as owners					
Share-based compensation	8	–	113,135	–	113,135
Total transactions with owners in their capacity as owners for the period		–	113,135	–	113,135
As at March 31, 2024		46	445,799	(10,243,940)	(9,798,095)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		Three months ended		
		2021	2022	2023	March 31,	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cash flows from operating activities						
Cash used in operations		(639,690)	(770,810)	(1,083,727)	(275,760)	(291,432)
Interest received from cash at banks	11	375	16,141	25,902	5,221	9,509
Net cash used in operating activities	32(a)	<u>(639,315)</u>	<u>(754,669)</u>	<u>(1,057,825)</u>	<u>(270,539)</u>	<u>(281,923)</u>
Cash flows from investing activities						
Payments of property, plant and equipment		(25,539)	(50,056)	(81,426)	(33,914)	(10,673)
Payment for investment in an associate	18	–	–	(10,000)	–	–
Payments for intangible assets		(8,278)	(21,030)	(52,172)	(13,752)	(14,926)
Government grants received in relation to acquisition of non-current assets	15	–	5,000	–	–	–
Payments for financial assets at FVPL	21	–	(672,610)	(20,000)	–	–
Proceeds from maturity of financial assets at FVPL		–	–	710,296	356,075	–
Proceeds from repayment of loans by a related party		2,000	5,900	–	–	–
Net cash (used in)/generated from investing activities		<u>(31,817)</u>	<u>(732,796)</u>	<u>546,698</u>	<u>308,409</u>	<u>(25,599)</u>
Cash flows from financing activities						
Proceeds from issuance of financial instruments to investors	32(d)	2,132,435	915,049	853,713	–	–
Repayment of convertible notes	32(d)	(32,783)	(55,000)	(13,634)	–	–
Repurchase of warrant	32(d)	(1,818)	–	(4,358)	–	–
Proceeds from borrowings	32(d)	–	–	–	–	67,800
Repayment of borrowings	32(d)	(8,040)	(13,783)	(12,255)	(3,445)	–
Interests paid for borrowings	32(d)	(1,766)	(1,115)	(637)	(153)	(5)
Repurchase of ordinary shares	25	(41,915)	(4,591)	–	–	–
Repurchase of vested share options	31	(36,378)	(22,686)	–	–	–
Principal payments of lease liabilities	32(d)	(5,225)	(13,779)	(16,315)	(3,473)	(7,132)
Interest paid for lease liabilities	32(d)	(515)	(1,479)	(1,817)	(469)	(713)
Repurchase of redeemable convertible preferred shares		(3,798)	–	–	–	–
Payments for listing expenses		–	(40)	(1,719)	(495)	(355)
Proceeds from exercise of stock option	30	669	1,599	6,157	271	1,151

	<i>Note</i>	Year ended December 31,			Three months ended	
		2021	2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
Net cash generated from/(used in) financing activities		<u>2,000,866</u>	<u>804,175</u>	<u>809,135</u>	<u>(7,764)</u>	<u>60,746</u>
Net increase/(decrease) in cash and cash equivalents		1,329,734	(683,290)	298,008	30,106	(246,776)
Cash and cash equivalents at beginning of the year/period	24	243,888	1,553,419	982,229	982,229	1,298,412
Exchange (losses)/gains on cash and cash equivalents		<u>(20,203)</u>	<u>112,100</u>	<u>18,175</u>	<u>(9,497)</u>	<u>1,875</u>
Cash and cash equivalents at end of the year/period	24	<u><u>1,553,419</u></u>	<u><u>982,229</u></u>	<u><u>1,298,412</u></u>	<u><u>1,002,838</u></u>	<u><u>1,053,511</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Black Sesame International Holding Limited (the “Company”) was incorporated in the Cayman Islands on July 15, 2016 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”), primarily provide autonomous driving system on chip (“SoC”) and SoC based solutions and focus on developing automotive grade autonomous driving SoCs.

The detailed information of major subsidiaries were disclosed in Note 14.

2 SUMMARY OF ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with IFRS Accounting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”).

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at FVPL and financial instruments issued to investors, which are carried at fair value.

The Group is in the development phase and has been incurring losses from operations since incorporation. The Group incurred operating losses of RMB722,660 thousand, RMB1,052,821 thousand, RMB1,696,897 thousand, RMB330,709 thousand and RMB439,299 thousand for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, respectively. Also, the Group’s net cash used in operating activities was RMB639,315 thousand, RMB754,669 thousand, RMB1,057,825 thousand, RMB270,539 thousand and RMB281,923 thousand for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, respectively, attributable primarily to significant research and development (“R&D”) expenditures. As at March 31, 2024, the Group has cash and cash equivalents of RMB1,053,511 thousand, net current liabilities of RMB10,040,442 thousand and net liabilities of RMB9,798,095 thousand, attributable primarily to the redeemable convertible preferred shares with a carrying amount of RMB10,977,065 thousand. These adverse events and conditions may cast significant doubt about the Company’s capability to continue as a going concern for at least twelve months from the end of the reporting period as of March 31, 2024. The directors of the Company have carefully considered the future liquidity, the operation performance and the available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from March 31, 2024, taking into consideration the following plans and measures:

- (i) The Company is contemplating the IPO to raise additional funding. The Preferred Shares will be automatically converted to ordinary shares of the Company upon the successful listing of the shares of the Company.
- (ii) As disclosed in Note 27 to the financial statements, in May 2024, the Group entered into a two-year syndicated loan agreement to provide loans to two subsidiaries with principal amounting to RMB500 million. Out of the total amount, RMB300 million and RMB200 million will be due for repayment by installments in November 2025 and May 2026 respectively. Also, the bank has the right to request the Group to make early repayment of the loans in full if the Company fails to consummate equity financing with the gross proceeds no less than a pre-determined amount by December 31, 2024. Management has evaluated the impacts of such syndicated loans and the potential early repayment on the Group’s future liquidity.
- (iii) The Group will continuously make effort to capture market opportunities for revenue growth through (a) fulfilment of letter of intent on hand, (b) enhancement in reliability of its autonomous driving and cross-domain technologies, (c) successful launch and mass production of Huashan and Wudang series SoCs, and (d) achievement of additional design wins with existing or new customers.

- (iv) The Group will also take active measures to control its operating expenditures, monitor its cash position from time to time and may adjust uncommitted expenditure where necessary, including (a) prudently undertaking new major R&D projects in the future, with its resources focused on products and technologies that can quickly achieve commercialization and (b) streamlining its operations to maintain a reasonable size of management, operations and R&D teams.

The directors of the Company have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from March 31, 2024. In the opinion of the directors of the Company, taking into account the anticipated cash flows to be generated from the Group's operations as well as reasonable possible improvements to its operation, the Group's financial resources on hand and the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from March 31, 2024. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

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

New and amended standards adopted by the Group

The IASB has issued a number of new and revised IFRS during the Track Record Period. For the purpose of preparing the Group's Financial Information, the Group has adopted all applicable new and revised IFRSs throughout the Track Record Period except for any new standards or interpretation that are not yet effective for the reporting period ended March 31, 2024.

These amendments did not have significant impact except amendment to IAS 1, 'Classification of Liabilities as Current or Non-current', which has been applied throughout the Track Record Period. As at December 31, 2021, 2022 and 2023 and March 31, 2024, all the "Redeemable convertible preferred shares" and "Convertible notes" were classified as current liabilities (Note 3.1(c)).

New standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for Track Record Period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

Standards and amendments	Effective for accounting periods beginning on or after
IAS 21 (Amendment) 'Lack of exchangeability'	January 1, 2025
IFRS 9 and IFRS 7 (Amendment) 'Amendments to the Classification and Measurement of Financial Instruments'	January 1, 2026
IFRS 18 'Presentation and Disclosure in Financial Statements'	January 1, 2027
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	January 1, 2027
IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sale or contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

The directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective.

2.2 Material accounting policy information

2.2.1 Financial instruments issued to investors

Financial instruments issued to investors consist of redeemable convertible preferred shares, warrants for purchase of ordinary shares, convertible notes, and commitment derivatives (Note 2.2.2). Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Preferred Shares

The Company entered into a series of share purchase agreements with financial investors and issued Series A, A-1, B-1, B-2, B-3, B-4, B+, C and C+ Preferred Shares (collectively "Preferred Shares"). Refer to Note 20 and Note 28 for details.

The Preferred Shares are redeemable upon occurrence of certain future events as disclosed in Note 28(a). These instruments shall be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of a qualified initial public offering ("Qualified IPO") of the Company as disclosed in Note 28(a).

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive (loss)/income, except for the gains or losses arising from the Company's own credit risk which are presented in OCI with no subsequent reclassification to the statement of profit or loss.

(b) Warrants

The Company issued warrants under which the holders have the rights to subscribe for the Company's ordinary shares or Preferred Shares at a predetermined price during a specific period (Note 28(b)).

Warrant liabilities are initially recognised at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The Group's warrant liabilities were classified as current liabilities, as these warrants may be exercised at the option of the holders at any time.

(c) Convertible notes

Black Sesame Shanghai Co., Ltd ("Black Sesame Shanghai"), a wholly owned subsidiary of the Company, issued convertible notes to investors. Refer to Note 28(c) for details.

The Group designated its convertible notes as financial liabilities at fair value through profit or loss, which are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statements of comprehensive (loss)/income. Subsequent to initial recognition, the convertible notes are carried at fair value with changes in fair value recognised in the profit or loss except for the portion attributed to the own credit risk presented in OCI.

2.2.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting year. Changes in fair value of derivative financial instruments are recognised in profit or loss.

2.2.3 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost mainly comprises direct materials and processing expenditures. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable 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.

2.2.4 *Current and deferred income tax*

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income 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, its subsidiaries and associate 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 Historical Financial Information. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for 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 differences. 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 realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

2.2.5 *Share-based payment*

The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Company. As disclosed in Note 31, the Group granted options to its employees. The fair value of the employee service received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- (i) Including any market performance conditions;
- (ii) Excluding the impact of any service and non-market performance vesting conditions; and
- (iii) Including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Group shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution to subsidiaries in the separate financial statements of the Company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the separate financial statements of the Company.

2.2.6 Revenue recognition

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

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

At the inception of the contract, the Group assesses the goods or services promised that have been promised to the customer and identifies as a performance obligation when (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

1) Autonomous Driving Products and Solutions

The Group engages in provision of autonomous driving products and solutions, including sales of autonomous driving products and solutions, and provision of autonomous driving related software and hardware development services.

1-1) Sales of autonomous driving products and solutions

Revenue generated from sales of autonomous driving products and solutions primarily includes the products of autonomous driving SoCs, autonomous driving domain controllers and intelligent front cameras, which is recognised at the point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the product has been transferred to the customer, generally upon the acceptance of the products.

1-2) Provision of autonomous driving related software and hardware development services

The Group provides autonomous driving related software and hardware development services to its customers. Revenue is recognised when control over the customised software has been transferred to the customer. The customers cannot receive and consume the benefits simultaneously from the Group as well as control the customized software until the software is delivered to the customer. The customised software generally has no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until the customised software is transferred to the customer. Therefore, revenue is recognised at a point in time when the customised software is passed to the customer.

The Group recognises an asset in relation to costs to fulfil its customised software development contracts. The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. The contract fulfilment costs are recorded as cost of sales when the customised software is passed to the customer and the revenue is recognised.

2) *Intelligent Imaging Solutions*

The Group provides intelligent imaging solutions that empower a broad range of devices to facilitate intelligent perception and content enhancement through algorithms.

2-1) License of software and algorithms

The Group licenses self-developed software and algorithms to its customers. Given the Group would not undertake activities that significantly affect the intellectual property to which the customer has rights, license of software and algorithms is accounted for as a right to use the intellectual property.

Revenue from license of software and algorithms is recognised at a point of time upon which the license is transferred to the licensee and the licensee is able to use and benefit from the license, because the licensee is able to direct the use of and obtain substantially all of the benefits from the license at the time that control of the license is transferred to the licensee.

For sales-based royalties that are attributable to a license of self-developed software and algorithms, related revenue is recognised at the later of: 1) when the subsequent sale or usage occurs; and 2) the satisfaction or partial satisfaction of the performance obligation to which some or all of the sales-based royalty has been allocated.

2-2) Sales of other products

Revenue generated from sales of other products is recognised at the point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the product has been transferred to the customer, generally upon the acceptance of the products.

3) *Contract assets and liabilities*

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer, the Group has a contract liability when the payment is received 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 from the customer. A 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.

Practical expedients and exemptions

The Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Group's contracts have duration of one year or less.

2.3 Summary of other accounting policies

2.3.1 Principles of consolidation and equity accounting

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity where 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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.

(b) *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 are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise 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 ("OCI") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised 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 2.3.7.

2.3.2 *Separate financial statements*

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year 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.

2.3.3 *Segment reporting*

Operating segments are 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 executive directors of the Company that makes strategic decisions.

2.3.4 *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 for Company and its overseas subsidiaries is United States Dollars ("USD"). The functional currency for the Company's subsidiaries incorporated in the People's Republic of China ("PRC") is RMB. The Group's presentation currency is 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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive (loss)/income within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other (losses)/gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognised in OCI.

(c) *Group companies*

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in OCI.

2.3.5 *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

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

Electronic devices	3-5 years
Furniture and fixtures	5 years
Vehicles	4 years
Leasehold improvements	shorter of the term of the lease or the estimated useful lives of the assets

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

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 (Note 2.3.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the consolidated statements of comprehensive (loss)/income.

2.3.6 *Intangible assets*

(a) *Software*

Acquired software is initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Software is stated at historical cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives. The Group amortises software with a limited useful life using the straight-line method over the following periods:

Software	1.5-3 years
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When determining the useful life, the management of the Group has taken into the account the (i) estimated period that can bring economic benefits to the Group; (ii) the useful life estimated by the comparable companies in the market.

(b) *Research and development*

The Group incurs significant costs and efforts on research and development activities. Research expenditure is recognised as an expense as incurred. Costs incurred on research and development projects are recognised 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 use or sale;
- 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.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred and development expenditures previously recognised as an expense are not recognised as an asset in a subsequent period.

During the Track Record Period, the Group's R&D expenditures incurred did not meet the capitalization principle above and were expensed as incurred.

2.3.7 *Impairment of non-financial assets*

Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group operates in one business as a whole, focusing on the design, development, and implementation of intelligent vehicle SoC technology, and does not maintain manufacturing facilities or develop manufacturing capacity by itself. As of December 31, 2021, 2022 and 2023 and March 31, 2024, non-financial assets of the Group mainly include leased buildings, equipment and software held for its R&D activities and daily operations, are identified as one single cash generating unit ("CGU") for impairment testing purpose. The recoverable amount of the CGU at the end of the reporting period had been determined based on value in use calculations, using cash flow projections based on management's financial forecasts. Key assumptions applied in preparing the cash flow projections included revenue growth rate and pre-tax discount rate. Based on the result of the assessment, the recoverable amount exceeded the carrying amount of the CGU with sufficient headroom. Hence, no impairment of non-financial assets was recognized during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024.

2.3.8 Investments and other 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 OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group'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 debt instruments, this will depend on the business model in which the investment is held. 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 FVOCI.

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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 assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised 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 amortised 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 recognised directly in profit or loss and presented in "Other (losses)/gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive (loss)/income.
- **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 gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other (losses)/gains – net". 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)/gains – net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive (loss)/income.

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in “Other (losses)/gains – net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in “Other (losses)/gains – net” in the consolidated statements of comprehensive (loss)/income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and notes receivable, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, 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.

2.3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.3.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. If collection of trade 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.3.11 Loan receivables

Loan receivables held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the assets and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.3.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include 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.

2.3.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.3.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.3.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive (loss)/income as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.3.16 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.3.17 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and other allowances 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 recognised 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 statements of financial position.

(b) *Pension obligations*

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(c) *Housing funds, medical insurances and other social insurances*

The employees of the Group in the PRC 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 contributions payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) *Bonus plan*

The expected cost of bonuses is recognised 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.

(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 recognises 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 recognises 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.

2.3.18 *Leases*

The Group mainly leases offices and warehouses as lessee. Lease terms are negotiated on an individual basis and contain various different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability 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 over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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 at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Right-of-use assets are measured at cost comprising the following (if applicable):

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

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

2.3.19 Government grants

Grants from the government are recognised 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.

Government grants relating to R&D are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are initially recorded as other payables and accruals, and presented in the statement of financial position by deducting the grant in arriving at the asset's carrying amount when the assets are ready for use and approved by related government.

2.3.20 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 21 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.3.21 (Loss)/earnings per share

(i) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing:

- the (loss)/income attributable to equity holders of the company, 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.

(ii) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share adjusts the figures used in the determination of basic (loss)/earnings 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: mainly market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group's businesses are principally conducted in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents denominated in USD.

The Group is primarily exposed to changes in RMB/USD exchange rates in its domestic subsidiaries whose functional currency is RMB. As at December 31, 2021, 2022 and 2023 and March 31, 2023 and 2024, if the USD in these subsidiaries strengthened/weakened by 5% against RMB with all other variables held constant, the loss before income tax for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and the profit before income tax for the three months ended March 31, 2024 would have been approximately RMB126 thousand lower/higher, RMB2.4 million lower/higher, RMB20.9 million higher/lower, RMB10.2 million higher/lower and RMB22.1 million lower/higher, respectively, as a result of net foreign exchange gains for the years ended December 31, 2021 and 2022 on translation of net monetary assets denominated in USD, and net foreign exchange losses for the year ended December 31, 2023 and the three months ended March 31, 2023 and 2024 on translation of net monetary liabilities denominated in USD.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk primarily arises from borrowings, financial assets measured at FVPL 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 interest rates and terms of repayments of borrowings are disclosed in Note 27. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the reporting period.

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group was not exposed to significant interest rate risk. The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate risk.

(iii) Price risk

The Group's exposure to securities price risk arises from investments held by the Group and classified in the consolidated statements of financial position as at financial assets at FVPL (Note 21). (Loss)/profit before income tax for the year would decrease/increase as a result of gains/losses on securities classified as "Other (losses)/gains – net".

To manage its price risk arising from investments in securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, financial assets measured at FVPL, trade and notes receivables, other receivables and loan receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash and cash equivalents

To manage this risk, the Group's domestic subsidiaries only make transactions with state-owned banks or reputable commercial banks which are all high-credit-quality financial institutions. 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. The identified credit losses are immaterial.

Part of the Group's cash and cash equivalents are deposited in overseas financial institutions. Considering related credit rating, local laws and regulations of relevant regulatory authorities, as well as the transferability of deposits after the statement of financial position date, the Group believes that there is no significant credit risk as at December 31, 2021, 2022 and 2023 and March 31, 2024.

(ii) Credit risk of trade and notes receivables

Except for the revenue generated from sales of autonomous driving products and solutions from Customer A (Note 5), the Group has a large number of customers and there is no concentration of credit risk. As at December 31, 2021, 2022 and 2023 and March 31, 2024 approximately 61%, 50%, 27% and 29% of the Group's trade and notes receivables were due from Customer A. Given the long-term relationship with Customer A and management's continuous credit risk management, the management does not expect that there will be any significant losses from non-performance by Customer A.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") and the growth rate of information technology industry to be the most relevant factor in Mainland China to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade and notes receivables are related to customer who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

The loss allowance of trade and notes receivables as at December 31, 2021, 2022 and 2023 and March 31, 2024 was determined as follows:

As at December 31, 2021, the loss allowance of individually impaired trade and notes receivables is determined as follows:

Individual basis	Gross carrying amount <i>RMB'000</i>	Expected loss rate %	Loss allowance provision <i>RMB'000</i>	Reason
Trade and notes receivables	<u>33,042</u>	<u>5.7%</u>	<u>(1,892)</u>	The likelihood of recovery

As at December 31, 2021, the loss allowance of collectively impaired trade and notes receivables is determined as follows:

Collective basis	Up to 3 months <i>RMB'000</i>	3 to 6 months <i>RMB'000</i>	6 to 9 months <i>RMB'000</i>	9 to 12 months <i>RMB'000</i>	Over 12 months <i>RMB'000</i>	Total <i>RMB'000</i>
December 31, 2021						
Gross carrying amount	<u>14,370</u>	<u>1,226</u>	<u>2,311</u>	<u>–</u>	<u>1,176</u>	<u>19,083</u>
Loss allowance	<u>(221)</u>	<u>(65)</u>	<u>(279)</u>	<u>–</u>	<u>(209)</u>	<u>(774)</u>
Expected loss rate	<u>1.5%</u>	<u>5.3%</u>	<u>12.1%</u>	<u>–</u>	<u>17.8%</u>	<u>4.1%</u>

As at December 31, 2022, the loss allowance of individually impaired trade and notes receivables is determined as follows:

Individual basis	Gross carrying amount <i>RMB'000</i>	Expected loss rate %	Loss allowance provision <i>RMB'000</i>	Reason
Trade and notes receivables	<u>70,466</u>	<u>11.6%</u>	<u>(8,195)</u>	The likelihood of recovery

As at December 31, 2022, the loss allowance of collectively impaired trade and notes receivables is determined as follows:

Collective basis	Up to 3 months <i>RMB'000</i>	3 to 6 months <i>RMB'000</i>	6 to 9 months <i>RMB'000</i>	9 to 12 months <i>RMB'000</i>	Over 12 months <i>RMB'000</i>	Total <i>RMB'000</i>
December 31, 2022						
Gross carrying amount	<u>54,265</u>	<u>1,740</u>	<u>1,075</u>	<u>3,011</u>	<u>5,812</u>	<u>65,903</u>
Loss allowance	<u>(1,186)</u>	<u>(105)</u>	<u>(145)</u>	<u>(478)</u>	<u>(1,041)</u>	<u>(2,955)</u>
Expected loss rate	<u>2.2%</u>	<u>6.0%</u>	<u>13.5%</u>	<u>15.9%</u>	<u>17.9%</u>	<u>4.5%</u>

As at December 31, 2023, the loss allowance of individually impaired trade and notes receivables is determined as follows:

Individual basis	Gross carrying amount <i>RMB'000</i>	Expected loss rate %	Loss allowance provision <i>RMB'000</i>	Reason
Trade and notes receivables	<u>57,582</u>	<u>26.2%</u>	<u>(15,095)</u>	The likelihood of recovery

As at December 31, 2023, the loss allowance of collectively impaired trade and notes receivables is determined as follows:

Collective basis	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 9 months RMB'000	9 to 12 months RMB'000	Over 12 months RMB'000	Total RMB'000
December 31, 2023						
Gross carrying amount	102,970	2,459	749	9,509	12,230	127,917
Loss allowance	(1,655)	(108)	(71)	(1,249)	(2,384)	(5,467)
Expected loss rate	1.6%	4.4%	9.5%	13.1%	19.5%	4.3%

As at March 31, 2024, the loss allowance of individually impaired trade and notes receivables is determined as follows:

Individual basis	Gross carrying amount RMB'000	Expected loss rate %	Loss allowance provision RMB'000	Reason
Trade and notes receivables	56,482	29.9%	(16,869)	The likelihood of recovery

As at March 31, 2024, the loss allowance of collectively impaired trade and notes receivables is determined as follows:

Collective basis	Up to 3 months RMB'000	3 to 6 months RMB'000	6 to 9 months RMB'000	9 to 12 months RMB'000	Over 12 months RMB'000	Total RMB'000
March 31, 2024						
Gross carrying amount	21,625	67,227	2,381	515	21,739	113,487
Loss allowance	(436)	(3,520)	(247)	(74)	(4,963)	(9,240)
Expected loss rate	2.0%	5.2%	10.4%	14.4%	22.8%	8.1%

The movements in provision for impairment of trade and notes receivables are as follows:

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	(822)	(2,666)	(11,150)	(11,150)	(20,562)
Provision for doubtful receivables	(1,844)	(8,484)	(9,412)	(1,882)	(5,547)
At the end of the year/period	<u>(2,666)</u>	<u>(11,150)</u>	<u>(20,562)</u>	<u>(13,032)</u>	<u>(26,109)</u>

As at December 31, 2021, 2022 and 2023, notes receivables were bank acceptance notes aged less than six months. For notes receivables, the Group expects that the credit risk associated with notes receivables is considered to be low since they have original maturities of six months or less and the accepting banks are state-owned banks and other large or medium size listed banks with good reputation and high credit rating. The Group has assessed that the expected credit losses rate for notes receivables are immaterial under lifetime expected credit losses method, and thus the loss allowance is immaterial.

As at March 31, 2024, the Group had no notes receivables.

(iii) Credit risk of other receivables (including amount due from related parties)

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables (including amount due from related parties) based on historical settlement records and past experience. The Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Other receivables mainly comprise deposits and amount due from related parties. The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the third party;
- Significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

As at December 31, 2021, 2022 and 2023 and March 31, 2024, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

(iv) Credit risk of loan receivables

The Group implemented expected credit loss model for loan receivables as summarized below:

- The loan receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The Group had loan receivables with the amount of RMB5.9 million as at December 31, 2021 (Note 22). These loan receivables were collected in full in 2022 and the Group had no outstanding loan receivables as at December 31, 2022 and 2023 and March 31, 2024. As at December 31, 2021, there were no significant increase in credit risk since initial recognition.

(v) *Credit risk of financial assets at FVPL*

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting year is the carrying amount of these investments (December 31, 2021: nil; December 31, 2022: RMB706.5 million; December 31, 2023: RMB8.2 million, March 31, 2024: RMB8.3 million).

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. The Group historically financed its working capital requirements through borrowing from bank, issue of preferred shares and convertible notes (Note 28).

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The Group recognises the financial instruments issued to investors at fair value through profit or loss (Note 28). Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at each year end to the contractual maturity date for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2021					
Trade payables (Note 29)	13,083	–	–	–	13,083
Other payables and accruals (excluding government grants, other tax payables, payroll and welfare payables) (Note 30)	54,444	–	–	–	54,444
Borrowings (including interest accrual up to maturity)	15,678	13,065	–	–	28,743
Lease liabilities	5,745	5,614	4,448	–	15,807
	<u>88,950</u>	<u>18,679</u>	<u>4,448</u>	<u>–</u>	<u>112,077</u>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2022					
Trade payables (<i>Note 29</i>)	69,907	–	–	–	69,907
Other payables and accruals (excluding government grants, other tax payables, payroll and welfare payables) (<i>Note 30</i>)	12,853	–	–	–	12,853
Borrowings (including interest accrual up to maturity)	13,065	–	–	–	13,065
Lease liabilities	19,640	14,699	2,946	–	37,285
	<u>115,465</u>	<u>14,699</u>	<u>2,946</u>	<u>–</u>	<u>133,110</u>
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2023					
Trade payables (<i>Note 29</i>)	68,085	–	–	–	68,085
Other payables and accruals (excluding government grants, other tax payables, payroll and welfare payables) (<i>Note 30</i>)	58,981	19,915	–	–	78,896
Lease liabilities	20,417	12,728	23,462	–	56,607
	<u>147,483</u>	<u>32,643</u>	<u>23,462</u>	<u>–</u>	<u>203,588</u>

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at March 31, 2024					
Trade payables (<i>Note 29</i>)	52,370	–	–	–	52,370
Other payables and accruals (excluding government grants, other tax payables, payroll and welfare payables) (<i>Note 30</i>)	103,058	6,615	–	–	109,673
Bank borrowing (including interest accrual up to maturity)	69,753	–	–	–	69,753
Lease liabilities	21,488	14,333	26,481	–	62,302
	<u>246,669</u>	<u>20,948</u>	<u>26,481</u>	<u>–</u>	<u>294,098</u>

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group's Preferred Shares were classified as current liabilities as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time and the conversion feature does not meet "fixed for fixed" criteria. The maximum exposure of the redemption of Preferred Shares is the contractual redemption price, which is equal to 100% of the issue price of the respective Preferred Shares plus an annual compounded interest rate of 8% accrued for the period from the Preferred Shares' deemed issue date up to and until the date when such Preferred Shares are redeemed, plus all declared but unpaid dividends, if a redemption event occurs as described in Note 28(a). The Group recognizes the Preferred Shares at fair value through profit or loss. Accordingly, Preferred Shares are managed on a fair value basis rather than by maturity dates.

As at December 31, 2021 and 2022, the Group's convertible notes were classified as current liabilities as the principal amount of the convertible notes may be converted into preferred shares at the option of the investors after completion of the outbound investment registration and the conversion feature does not meet "fixed for fixed" criteria. The maximum exposure of the repayment of convertible notes equals to the principal amount plus an 8% annual interest as described in Note 28(c). The Group recognizes the convertible notes at fair value through profit or loss. Accordingly, the convertible notes are managed on a fair value basis rather than by maturity dates.

As at December 31, 2023 and March 31, 2024, there were no convertible notes.

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- (i) Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- (ii) Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (iii) Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at December 31, 2021, 2022 and 2023 and March 31, 2024.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at December 31, 2021, 2022 and 2023 and March 31, 2024 respectively.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2021				
Liabilities				
Financial instruments issued to investors				
– Redeemable convertible preferred shares	–	–	5,094,096	5,094,096
– Convertible notes	–	–	125,854	125,854
– Commitment derivatives	–	–	28,000	28,000
– Warrants	–	–	1,999	1,999
	<u>–</u>	<u>–</u>	<u>5,249,949</u>	<u>5,249,949</u>

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2022				
Assets				
Financial assets at FVPL	706,462	–	–	706,462
Liabilities				
Financial instruments issued to investors				
– Redeemable convertible preferred shares	–	–	8,279,244	8,279,244
– Convertible notes	–	–	35,413	35,413
– Commitment derivatives	–	–	67,941	67,941
– Warrant	–	–	3,804	3,804
	–	–	8,386,402	8,386,402
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2023				
Assets				
Financial assets at FVPL	8,197	–	20,792	28,989
Liabilities				
Financial instruments issued to investors				
– Redeemable convertible preferred shares	–	–	12,589,493	12,589,493
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at March 31, 2024				
Assets				
Financial assets at FVPL	8,316	–	20,828	29,144
Liabilities				
Financial instruments issued to investors				
– Redeemable convertible preferred shares	–	–	10,977,065	10,977,065

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow method, binomial option pricing model and forward pricing model, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

(c) Fair values measurements using significant unobservable inputs (level 3)

More details about the financial instruments issued to investors as at December 31, 2021, 2022 and 2023 and March 31, 2024 have been presented in Note 28.

(d) Valuation process

The Company has engaged an independent valuer to determine the fair value of financial instruments issued to investors which including preferred shares, warrants, convertible notes and commitment derivatives.

Preferred Shares issued by the Company

The discounted cash flow method was used to determine the total equity value of the Company, the option-pricing method and equity allocation model were adopted to determine the fair value of the redeemable convertible Preferred Shares. Key assumptions included risk-free interest rate, discounted of lack of marketability ("DLOM"), discount rate, and expected volatility.

For the Preferred Shares, discount rate was estimated by weighted average cost of capital as of each valuation date. Risk free interest rates are determined based on the yield of USD Treasury Strips with a maturity life equal to the expected time to a liquidation/redemption event as of each of the valuation dates. 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 private held share can be sold, was considered as a basis to determine the lack of marketability discount. Expected volatility was estimated at the valuation dates based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation/redemption date. 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 the Preferred Shares on each valuation date.

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the Preferred Shares issued by the Company. The changes in unobservable inputs including risk-free interest rate, DLOM and expected volatility will result in a significantly higher or lower fair value measurement. The increase in the fair value of the Preferred Shares would increase the loss of fair value change in the consolidated statements of comprehensive (loss)/income. 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.

If the Company's key valuation assumptions used to determine the fair value of the Preferred Shares had increased/decreased by 10% with all other variables held constant, the estimated fair value changes from carrying amount are listed in below table (assuming the change of key factors would not have significant impact on fair value change attributable to credit risk):

Fair value of the Preferred Shares	As at December 31, 2021		
	Expected volatility	DLOM	Risk free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	(1,957)	(18,044)	(203)
Decrease 10%	1,808	18,034	204
	<u> </u>	<u> </u>	<u> </u>
Fair value of the Preferred Shares	As at December 31, 2022		
	Expected volatility	DLOM	Risk free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	(719)	(18,953)	(316)
Decrease 10%	547	18,952	319
	<u> </u>	<u> </u>	<u> </u>

Fair value of the Preferred Shares	As at December 31, 2023		
	Expected volatility	DLOM	Risk free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	770	(86,021)	(1,989)
Decrease 10%	(2,350)	86,022	2,010

Fair value of the Preferred Shares	As at March 31, 2024		
	Expected volatility	DLOM	Risk free interest rate
	RMB'000	RMB'000	RMB'000
Increase 10%	203	(100,108)	(1,360)
Decrease 10%	(1,138)	100,109	1,374

Warrants issued by the Company and convertible notes issued by Black Sesame Shanghai

The warrants and convertible notes are not traded in an active securities market, and as such, the Company estimated their fair value using the binomial option pricing model with main assumptions are disclosed in Note 3.3(e).

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of warrant liabilities and convertible notes. The changes in unobservable input including expected volatility will result in a significantly higher or lower fair value measurement. An increase in the fair value of warrant liabilities and convertible notes would increase the loss of fair value change in the consolidated statements of comprehensive (loss)/income. When performing the sensitivity test, management applied an increase or decrease, which represents management's assessment of reasonably possible change to this unobservable input, and effect of those changes to the fair value of warrant liabilities and convertible notes are as below:

	Fair value of the warrants			
	December 31, 2021	December 31, 2022	December 31, 2023	March 31, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Expected volatility				
Increase 10%	13	12	N/A	N/A
Decrease 10%	(13)	(12)	N/A	N/A

	Fair value of the convertible notes			
	December 31, 2021	December 31, 2022	December 31, 2023	March 31, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Expected volatility				
Increase 10%	640	41	N/A	N/A
Decrease 10%	(1,340)	(31)	N/A	N/A

Commitment derivatives

The Company estimated fair value of its commitment derivatives using the forward pricing model with its main assumption disclosed in Note 3.3(e).

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of commitment derivatives. The changes in unobservable input including risk free interest rate will result in a significantly higher or lower fair value measurement. An increase in the fair value of commitment derivatives would increase the loss of fair value change in the consolidated statements of comprehensive (loss)/income. When performing the sensitivity test, management applied an increase or decrease, which represents management's assessment of reasonably possible change to this unobservable input, and effect of those changes to the fair value of commitment derivatives are as below:

	Fair value of the commitment derivatives			
	December 31, 2021	December 31, 2022	December 31, 2023	March 31, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Risk-free interest rate				
Increase 10%	109	279	N/A	N/A
Decrease 10%	(109)	(281)	N/A	N/A

(e) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Key assumptions	Inputs				Relationship of key assumptions to fair value
		At December 31, 2021	At December 31, 2022	At December 31, 2023	At March 31, 2024	
Preferred Shares	Risk-free interest rate	1.20%	4.19%	4.32%	4.70%	The higher the risk-free interest rate, the lower the fair value
	DLOM	23%	15%	7%	9%	The higher the DLOM, the lower the fair value
	Discount rate	17%	16%	16%	16%	The higher the discount rate, the lower the fair value
	Expected volatility	54.03%	60.89%	57.98%	56.73%	Depends on capital structure of the Group and preferred shareholders' rights
2020 Ordinary Share Warrant	Stock price of ordinary shares (USD)	2.05	3.01	N/A	N/A	The higher the stock price of ordinary shares, the higher the fair value
	Dividend yield	0%	0%	N/A	N/A	The higher the dividend yield, the lower the fair value
	Time to maturity	October 24, 2027	October 24, 2027	N/A	N/A	The longer the time to maturity, the higher the fair value

Description	Key assumptions	Inputs				Relationship of key assumptions to fair value
		At December 31, 2021	At December 31, 2022	At December 31, 2023	At March 31, 2024	
	Risk-free interest rate	1.43%	4.11%	N/A	N/A	The higher the risk-free interest rate, the higher the fair value
	Expected volatility	51.02%	57.91%	N/A	N/A	The higher the expected volatility, the higher the fair value
Convertible Notes	Dividend yield	0%	0%	N/A	N/A	The higher the dividend yield, the lower the fair value
	Time to maturity	June 30, 2023	June 30, 2023	N/A	N/A	The longer the time to maturity, the higher the fair value
	Risk-free interest rate	2.32%	2.08%	N/A	N/A	The higher the risk-free interest rate, the higher the fair value
	Expected volatility	55.27%	64.59%	N/A	N/A	The higher the expected volatility, the higher the fair value
Commitment Derivatives	Risk-free interest rate	0.06%-0.53%	4.68%	N/A	N/A	The higher the risk-free interest rate, the higher the fair value

As at March 31, 2024, the following financial instrument with unobservable inputs is not included in the above disclosure:

An equity investment measured at FVPL is valued based on calibration to recent transaction prices or investment cost without adjustment amounted to RMB20.8 million.

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom exactly equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of the fair value of financial instruments issued to investors

The financial instruments issue to investors are not traded in an active market and the respective fair value are determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Company, the option-pricing method, equity allocation model and forward pricing model were adopted to determine the fair value of the financial instruments. Key assumptions such as discount rate, risk-free interest rate, DLOM and expected volatility based on the Group's best estimates are disclosed in Note 3.3.

(b) Recognition of share-based payment expenses

As disclosed in Note 31, the Company has granted stock options to the Group's employees. The fair value of the options granted is determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimate on assumptions in determining the fair value of the granted share options include risk-free interest rate, expected volatility and dividend yield.

(c) Inventory provision

Inventories are stated at the lower of cost and net realizable value as stated in Note 2.2.3. 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.

(d) Income taxes and deferred income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognised in respect of these accumulated tax losses and other deductible temporary differences based on the fact that the future taxable profits would be uncertain.

5 SEGMENT INFORMATION

The executive directors of the Company has been identified as the chief operating decision maker of the Group who reviews the operating results of the Group's business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.

No geographical segment information is presented as the majority of the revenue and operating losses of the Group are derived within PRC and the majority of the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

Revenue from customers contributing over 10% of the total revenue of the Group in the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 is as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
				(unaudited)	
Customer A	41%	44%	*	10%	–
Customer B	*	10%	11%	23%	*
Customer C	13%	*	*	–	–
Customer D	11%	–	–	–	–
Customer E	–	–	15%	12%	26%
Customer F	–	–	–	–	48%
Customer G	–	*	*	29%	–
Customer H	*	*	*	15%	–

* Less than 10%

6 REVENUE

(a) Disaggregation of revenue from contracts with customers

Revenue for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 are as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from customers and recognised at point in time					
Autonomous Driving Products and Solutions	34,261	142,282	276,318	23,772	23,581
Intelligent Imaging Solutions	26,243	23,160	36,073	5,484	3,892
	<u>60,504</u>	<u>165,442</u>	<u>312,391</u>	<u>29,256</u>	<u>27,473</u>

(b) Assets recognised from costs to fulfil a contract

The Group recognised assets in relation to costs to fulfil its provision of autonomous driving related services contracts. This is presented within "Prepayments and other receivables" in the consolidated statements of financial position (Note 22).

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Beginning balance	–	–	13,869	13,869	1,083
Addition	–	13,869	1,782	–	702
Recognised as cost of sales	–	–	(14,568)	–	–
Ending balance	<u>–</u>	<u>13,869</u>	<u>1,083</u>	<u>13,869</u>	<u>1,785</u>

(c) Contract liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

The following table shows how much of the revenue recognised during the Track Record Period is included in the contract liabilities:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	<u>1</u>	<u>252</u>	<u>5,660</u>	<u>–</u>

The Company expects that all of its contract liabilities as at March 31, 2024, approximately RMB9.5 million, will be recognised as revenue within 1 year.

7 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, general and administrative expenses, and research and development expenses are as follow:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employee benefits expenses (Note 8)	414,397	872,289	1,215,565	250,357	315,588
Design and development expenses	60,065	73,723	282,078	36,568	66,195
Intellectual property ("IP") license expenses	210,061	33,792	69,663	16,728	8,420
Raw materials and consumables used	38,930	179,365	214,424	64,796	20,979
Changes in inventories of work in progress and finished goods	(3,220)	(69,600)	(16,839)	(41,096)	(11,666)
Provision for impairment of inventories (Note 19)	–	–	18,236	–	1,276
Outsourcing labor costs	10,201	18,828	37,609	8,672	10,402
Office and travelling expenses	14,665	23,233	42,693	8,771	10,666
Depreciation of property, plant and equipment (Note 15)	5,677	17,484	36,854	5,958	11,967
Amortization of intangible assets (Note 17)	9,886	17,300	31,649	5,925	10,286
Depreciation of right-of-use assets (Note 16)	5,185	14,929	18,040	4,354	5,684
Recruiting expenses	5,552	7,975	4,446	1,437	456
Short-term lease expenses (Note 16)	1,659	6,908	6,140	1,337	1,554
Legal, consulting and other professional fees	11,920	6,730	9,467	1,174	2,884
Marketing expenses	9,393	6,211	16,004	2,662	3,951
Auditors' remuneration – Audit services	610	216	356	37	–
Listing expenses	–	3,581	26,866	6,545	6,057
Others	1,576	2,893	5,345	1,149	360
Total cost of sales, selling expenses, general and administrative expenses, and research and development expenses	<u>796,557</u>	<u>1,215,857</u>	<u>2,018,596</u>	<u>375,374</u>	<u>465,059</u>

8 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	283,760	487,873	722,404	154,216	182,052
Share-based compensation expenses (Note 31)	111,744	339,544	421,052	80,722	113,135
Pension obligations, housing funds, medical insurances and other social insurances (a)	18,893	44,872	72,109	15,419	20,401
	<u>414,397</u>	<u>872,289</u>	<u>1,215,565</u>	<u>250,357</u>	<u>315,588</u>

(a) Pension obligations, housing funds, medical insurances and other social insurances

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 obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's full time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government and liabilities in respect of benefits schemes are limited to the contribution payable in each year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, include 2, 2, 3, 2 and 3 directors respectively, whose emoluments are disclosed in Note 8(c). The emoluments payable to the remaining individuals during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 are as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	3,251	5,251	3,070	1,809	561
Share-based compensation expenses	14,757	105,137	17,698	7,918	5,183
Pension obligations, housing funds, medical insurances and other social insurances	358	367	299	110	82
	<u>18,366</u>	<u>110,755</u>	<u>21,067</u>	<u>9,837</u>	<u>5,826</u>

The remaining highest paid individuals fell within the following bands:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
				<i>(Unaudited)</i>	
Emolument bands					
HK\$2,500,001 to HK\$3,000,000	–	–	–	1	–
HK\$3,000,001 to HK\$3,500,000	–	–	–	1	2
HK\$3,500,001 to HK\$4,000,000	–	–	–	–	–
HK\$4,000,001 to HK\$4,500,000	–	–	–	–	–
HK\$4,500,001 to HK\$5,000,000	–	–	–	1	–
HK\$5,000,001 to HK\$5,500,000	1	–	–	–	–
HK\$5,500,001 to HK\$6,000,000	–	–	–	–	–
HK\$6,500,001 to HK\$7,000,000	1	–	–	–	–
HK\$10,000,001 to HK\$10,500,000	1	–	–	–	–
HK\$10,500,001 to HK\$11,000,000	–	–	1	–	–

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
HK\$12,500,001 to HK\$13,000,000	-	-	1	-	-
HK\$19,000,001 to HK\$19,500,000	-	1	-	-	-
HK\$55,000,001 to HK\$55,500,000	-	2	-	-	-
Total	3	3	2	3	2

(c) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended December 31, 2021 are as follows:

Name	Director's fee <i>RMB'000</i>	Wages and salaries <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Social security costs, housing benefits and employee welfare <i>RMB'000</i>	Share-based compensation expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Mr. Shan Jizhang (i)	-	1,558	-	18	49,722	51,298
Mr. Liu Weihong (ii)	-	1,248	1,910	186	9,578	12,922
Mr. Yang Lei (iii)	-	-	-	-	-	-
	-	2,806	1,910	204	59,300	64,220

The emoluments in respect of each of the directors paid/payable by the Group for the year ended December 31, 2022 are as follows:

Name	Director's fee RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Shan Jizhang (i)	–	1,663	308	26	99,240	101,237
Mr. Liu Weihong (ii)	–	710	293	199	21,538	22,740
Mr. Yang Lei (iii)	–	–	–	–	–	–
	–	2,373	601	225	120,778	123,977

The emoluments in respect of each of the directors paid/payable by the Group for the year ended December 31, 2023 are as follows:

Name	Director's fee RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Shan Jizhang (i)	–	1,893	165	147	136,514	138,719
Mr. Liu Weihong (ii)	–	1,785	312	215	26,266	28,578
Mr. Yang Lei (iii)	–	–	–	–	–	–
Mr. Zeng Daibing (iv)	–	1,569	807	165	15,149	17,690
	–	5,247	1,284	527	177,929	184,987

The emoluments in respect of each of the directors paid/payable by the Group for the three months ended March 31, 2023 are as follows:

Name	Director's fee RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
<i>(Unaudited)</i>						
Mr. Shan Jizhang (i)	–	466	49	41	24,800	25,356
Mr. Liu Weihong (ii)	–	341	–	55	6,011	6,407
Mr. Yang Lei (iii)	–	–	–	–	–	–
	–	807	49	96	30,811	31,763

The emoluments in respect of each of the directors paid/payable by the Group for the three months ended March 31, 2024 are as follows:

Name	Director's fee RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Mr. Shan Jizhang (i)	–	479	–	38	43,458	43,975
Mr. Liu Weihong (ii)	–	349	–	61	7,122	7,532
Mr. Yang Lei (iii)	–	–	–	–	–	–
Mr. Zeng Daibing (iv)	–	392	–	41	3,653	4,086
	–	1,220	–	140	54,233	55,593

- (i) Mr. Shan Jizhang was appointed as the director of the Company on July 15, 2016.
- (ii) Mr. Liu Weihong was appointed as the director of the Company on July 15, 2016.
- (iii) Mr. Yang Lei was appointed as the director of the Company on September 30, 2016.
- (iv) Mr. Zeng Daibing was appointed as the director of the Company on June 29, 2023.

(d) Directors' retirement benefits and termination benefits

No director's retirement or termination benefit subsisted at the end of each year disclosed or at any time during the Track Record Period.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of each year disclosed or at any time during the Track Record Period.

(f) Information about borrowings, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

No borrowings, quasi-borrowings and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of each year disclosed or at any time during the Track Record Period.

(g) Directors' material interest 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 at the end of each year disclosed or at any time during the Track Record Period.

9 OTHER INCOME

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Government grants (a)	11,114	15,361	22,531	12,770	5,937
Borrowings and interests forgiven by US government (b)	6,999	–	–	–	–
	<u>18,113</u>	<u>15,361</u>	<u>22,531</u>	<u>12,770</u>	<u>5,937</u>

(a) The government grants mainly represent government subsidies for the Group's research and development expenditures. There are no unfulfilled conditions or other contingencies attaching to the grants recognised.

(b) In April 2020, Black Sesame US drawn down a two-year paycheck protection program loan agreement from Silicon Valley Bank ("SVB") with the principal amount of USD1.065 million (equivalent to RMB7 million) and interest rate of 1% per annum. In January 2021, the US government forgave Black Sesame US of the payment for the paycheck protection program loan with USD1.065 million in principal and USD7.6 thousand in interests. The Group recorded such forgiveness in "Other income" with the amount of USD1.065 million (equivalent to RMB7 million) in 2021.

10 OTHER (LOSSES)/GAINS – NET

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Gains on financial assets at FVPL (Note 21)	–	9,659	12,129	6,391	105
Net foreign exchange losses	(1,408)	(18,620)	(15,113)	(1,341)	(866)
Donation	(814)	(639)	(510)	(10)	–
Others	(654)	317	(317)	(519)	(1,342)
	<u>(2,876)</u>	<u>(9,283)</u>	<u>(3,811)</u>	<u>4,521</u>	<u>(2,103)</u>

The net foreign exchange losses of the Group was primarily resulted from the translation of USD monetary assets into RMB functional currency in its PRC subsidiaries.

11 FINANCE (COSTS)/INCOME – NET

	Year ended December 31,			Three months ended	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Finance income:					
Interest income on cash					
at bank	375	16,141	25,902	5,221	9,509
Others	66	461	514	126	133
	<u>441</u>	<u>16,602</u>	<u>26,416</u>	<u>5,347</u>	<u>9,642</u>
Finance costs:					
Interest expenses on bank					
borrowings	(1,871)	(1,189)	(311)	(177)	(66)
Interest expenses on lease					
liabilities (<i>Note 16</i>)	(515)	(1,479)	(1,817)	(469)	(713)
Others	–	–	(1,249)	(109)	(389)
	<u>(2,386)</u>	<u>(2,668)</u>	<u>(3,377)</u>	<u>(755)</u>	<u>(1,168)</u>
	<u>(1,945)</u>	<u>13,934</u>	<u>23,039</u>	<u>4,592</u>	<u>8,474</u>

12 INCOME TAX EXPENSE

(a) Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company and Cayman Islands incorporated entities of the Group is not subject to tax on income or capital gains.

Hong Kong

The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax of which the tax rate was 16.5% up to April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first Hong Kong Dollars ("HKD") 2 million and 16.5% for any assessable profits in excess. Since these subsidiaries did not have assessable profits during the Track Record Period, no Hong Kong profits tax has been provided.

United States of America

The Group's subsidiary in the State of California is subject to Federal Tax at a rate of 21% and State of California Profits Tax at a rate of 8.84%. Operations in the United States of America have incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded during the Track Record Period.

Singapore

The Group's subsidiaries in Singapore are subject to Singapore profits tax at the rate of 17%. These subsidiaries were in loss position during the Track Record Period.

Mainland China

In accordance with the Enterprise Income Tax Law (“EIT Law”), Foreign Investment Enterprises (“FIEs”) and domestic companies established in Mainland China are subject to Enterprise Income Tax (“EIT”) at a rate of 25%.

In October 2019, Black Sesame Shanghai was qualified as a High and New Technology enterprise (“HNTE”) and enjoyed a preferential tax rate of 15% from 2019 to 2021. In December 2022, Black Sesame Shanghai re-applies for HNTE status and the application was approved for another three-year period from 2022 to 2024. In December 2022, Black Sesame Technologies Co., Ltd (“Black Sesame Wuhan”) was qualified as a HNTE and enjoyed a preferential tax rate of 15% from 2022 to 2024. Black Sesame Shanghai and Black Sesame Wuhan were both in accumulated loss position for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024. 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 Black Sesame Shanghai and Black Sesame Wuhan, which are qualified as HNTE, will expire in 10 years. The other entities incorporated in the PRC are subject to an enterprise income tax at a rate of 25%.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”).

Pillar Two income taxes

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group’s financial year beginning January 1, 2025. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023, and will account for the Pillar Two income taxes as current tax when incurred. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

The Group had no taxable income during the Track Record Period.

The income tax on the Group’s (loss)/profit before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31,	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(Loss)/profit before income tax	(2,356,502)	(2,753,936)	(4,855,118)	(1,106,663)	1,203,302
Income tax credit computed at the applicable income tax rate of 25%	(589,126)	(688,484)	(1,213,780)	(276,666)	300,826
Tax effect of:					
Difference in overseas tax rates	397,590	406,666	776,981	188,844	(413,974)
Preferential tax rate	52,738	50,231	81,417	15,844	24,685
Super Deduction in respect of R&D expenditures	(22,104)	(46,041)	(92,743)	(10,681)	(19,176)
Expenses not deductible for taxation purpose <i>(i)</i>	16,000	71,999	107,052	19,747	27,801

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31,	
	RMB'000	RMB'000	RMB'000	2023	2024
				<i>(Unaudited)</i>	
Tax losses for which no deferred income tax assets was recognised (ii)	131,754	151,728	280,175	43,432	67,458
Temporary differences for which no deferred income tax assets were recognised	13,148	53,901	60,898	19,480	12,380
Income tax expenses	–	–	–	–	–

- (i) Expenses not deductible for tax purposes mainly represent business entertainment expenses and share-based compensation expenses incurred in the Group's subsidiaries in Mainland China which are not deductible according to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC.
- (ii) Deferred income tax assets are recognised for tax losses carrying forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group did not recognise net deferred income tax assets in respect of losses and deductible temporary differences of RMB554.9 million, RMB760.5 million, RMB1,101.6 million, and RMB1,181.5 million respectively.

(b) Tax losses

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the Group did not recognise deferred income tax assets in respect of losses of RMB1,384.5 million, RMB2,139.9 million, RMB3,632.6 million and RMB3,962.8 million, respectively. The tax losses incurred from the Company's subsidiaries in Mainland China that are not recognised as deferred tax assets will expire from 2025 to 2034. Tax losses of the Group's subsidiaries incorporated in United States of America, Hong Kong and Singapore will be carried forward indefinitely. Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Expiry year				
2025	107,694	107,694	107,694	107,694
2026	37,083	37,083	37,083	37,083
2027	9,360	193,886	193,886	193,886
2028	27,933	27,933	351,500	320,811
2029	108,522	108,522	108,522	158,353
2030	149,692	149,692	149,692	149,692
2031	512,348	512,348	512,348	512,348
2032	–	558,665	558,665	558,665
2033	–	–	1,057,707	1,078,984
2034	–	–	–	243,975
Indefinitely	431,833	444,105	555,476	601,350
	1,384,465	2,139,928	3,632,573	3,962,841

13 (LOSS)/EARNINGS PER SHARE**(a) Basic (loss)/earnings per share**

Basic (loss)/earnings per share for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 are calculated by dividing the (loss)/profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the respective years.

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit attributable to the equity holders of the Company (RMB'000)	(2,356,502)	(2,753,936)	(4,855,118)	(1,106,663)	1,203,302
Weighted average number of ordinary shares outstanding (thousand shares)	73,490	71,000	71,000	71,000	71,000
Basic (loss)/earnings per share (expressed in RMB per share)	<u>(32.1)</u>	<u>(38.8)</u>	<u>(68.4)</u>	<u>(15.6)</u>	<u>16.9</u>

(b) Diluted loss per share

The calculation of the diluted loss per share is based on the (loss)/profit attributable to equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares that would have been outstanding, as appropriate. The weighted average number of ordinary shares used in calculating diluted loss per share is the weighted average number of ordinary shares, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Group incurred losses for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 are the same as basic loss per share of the respective year/period.

For the three months ended March 31, 2024, the Group has two categories of potential ordinary shares, namely redeemable convertible preferred shares of the Company and share options with vesting schedule granted to the employees. Share options with vesting schedule granted to the employees were anti-dilutive for the three months ended March 31, 2024.

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Loss)/profit attributable to the equity holders of the Company	(2,356,502)	(2,753,936)	(4,855,118)	(1,106,663)	1,203,302
Adjustment for fair value change of the Company's redeemable convertible preferred shares through profit or loss	–	–	–	–	(1,636,088)
Net loss attributable to the equity holders of the Company	<u>(2,356,502)</u>	<u>(2,753,936)</u>	<u>(4,855,118)</u>	<u>(1,106,663)</u>	<u>(432,786)</u>
Weighted average number of shares (thousand shares):					
Weighted average number of ordinary shares outstanding (thousand shares)	73,490	71,000	71,000	71,000	71,000
Adjustment for redeemable convertible preferred shares of the Company	–	–	–	–	414,293
Weighted average number of shares for calculation of diluted loss per share	<u>73,490</u>	<u>71,000</u>	<u>71,000</u>	<u>71,000</u>	<u>485,293</u>
Diluted loss per share (expressed in RMB per share)	<u>(32.1)</u>	<u>(38.8)</u>	<u>(68.4)</u>	<u>(15.6)</u>	<u>(0.9)</u>

14 SUBSIDIARIES

(a) Subsidiaries of the Company

As at the end of each reporting period and the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Place of Incorporation/ establishment and kind of legal entity	Date of Incorporation/ establishment	Issued/Registered share Capital <i>In thousand</i>	Percentage of attributable equity interest				As of Principal report date activities	Place of operation	Note
				As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at March 31, 2024			
Directly held by the Company:										
Black Sesame Technologies Inc. ("Black Sesame US")	United States of America ("U.S."), limited liability company	August 25, 2016	USD43,055	100%	100%	100%	100%	Research and development	U.S.	(ii)
Black Sesame Technologies (Singapore) PTE Ltd.	Singapore, limited liability company	May 14, 2018	SGD19,368	100%	100%	100%	100%	Research and development	Singapore	(v)
Black Sesame Technologies (HK) Limited	Hong Kong, limited liability company	August 26, 2016	USD7,601	100%	100%	100%	100%	Holding company	Hong Kong	(vi)
Black Sesame IP Holding PTE. LTD.	Singapore, limited liability company	September 26, 2023	USD10,000	N/A	N/A	100%	100%	IP holding and licensing	Singapore	(ix)
Black Sesame Innovation (HK) Limited.	Hong Kong, limited liability company	January 10, 2024	HKD10,000	N/A	N/A	N/A	100%	Research and development	Hong Kong	
Indirectly held by the Company:										
Dark Benne Limited	Hong Kong, limited liability company	November 4, 2022	HKD10,000	N/A	100%	100%	100%	Investment activities	Hong Kong	(vii)
Black Sesame Semiconductor Singapore PTE Ltd.	Singapore, limited liability company	August 24, 2022	USD1,000	N/A	100%	N/A	N/A	Sales and marketing	Singapore	(viii)
Black Sesame Technologies (Shanghai) Co., Ltd. ("Black Sesame Shanghai") 黑芝麻智能科技有限公司(上海)有限公司	The PRC, limited liability company	January 14, 2017	USD90,000	100%	100%	100%	100%	Sales and marketing	The PRC	(i)

Company Name	Place of Incorporation/ establishment and kind of legal entity	Date of Incorporation/ establishment	Issued/Registered share Capital <i>In thousand</i>	Percentage of attributable equity interest				Place of operation	Note
				As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at March 31, 2024		
Black Sesame Technologies (Chongqing) Co., Ltd. 黑芝麻智能科技有限公司(重慶)有限公司	The PRC, limited liability company	November 27, 2019	RMB120,000	100%	100%	100%	100%	Research and development	The PRC (i)
Shanghai Boyou Intelligence Co., Ltd. 上海博又智能科技有限公司	The PRC, limited liability company	January 16, 2017	RMB270	100%	100%	100%	100%	Research and development	The PRC (ii)
Black Sesame Technologies (Chengdu) Co., Ltd. 黑芝麻智能科技有限公司(成都)有限公司	The PRC, limited liability company	May 8, 2021	RMB140,000	100%	100%	100%	100%	Research and development	The PRC (i)
Black Sesame Technologies Co., Ltd. ("Black Sesame Wuhan") 黑芝麻智能科技有限公司 (Shenzhen) Co., Ltd. 黑芝麻智能科技有限公司(深圳)有限公司	The PRC, limited liability company	February 8, 2021	USD200,000	100%	100%	100%	100%	Sales and marketing	The PRC (i)
Black Sesame Technologies (Beijing) Co., Ltd. 黑芝麻智能科技有限公司(北京)有限公司	The PRC, limited liability company	December 30, 2021	RMB120,000	100%	100%	100%	100%	Research and development	The PRC (iii)
Black Sesame Technologies (Beijing) Co., Ltd. 黑芝麻智能科技有限公司(北京)有限公司	The PRC, limited liability company	May 12, 2023	RMB10,000	N/A	N/A	100%	100%	Sales and marketing	The PRC (iv)
Wuhan Black Sesame Intelligent Information Technology Co., Ltd. 武漢黑芝麻智能信息技術有限公司	The PRC, limited liability company	April 26, 2024	RMB15,000	N/A	N/A	N/A	N/A	Research and development	The PRC

Notes:

- (i) The statutory financial statements were audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) for the years ended December 31, 2021. The statutory financial statements were audited by EPA Certified Public Accountants Partnership (上海至臻聯合會計師事務所(普通合夥)) for the year ended December 31, 2022 and 2023.
- (ii) The statutory financial statements have not yet been audited for the years ended December 31, 2021, 2022 and 2023.
- (iii) The statutory financial statements have not yet been audited for the year ended December 31, 2021. The statutory financial statements were audited by EPA Certified Public Accountants Partnership (上海至臻聯合會計師事務所(普通合夥)) for the year ended December 31, 2022 and 2023.
- (iv) The statutory financial statements were audited by EPA Certified Public Accountants Partnership (上海至臻聯合會計師事務所(普通合夥)) for the year ended December 31, 2023.
- (v) The statutory financial statements were audited by Audnest Assurance Chartered Accountants for the years ended December 31, 2021, 2022 and 2023.
- (vi) The statutory financial statements were audited by PIVOT Certified Public Accountants LLP for the years ended December 31, 2021 and 2022. The statutory financial statement for the year ended December 31, 2023 has not yet been issued.
- (vii) The statutory financial statements have not yet been audited for the year ended December 31, 2022 and 2023.
- (viii) The statutory financial statements have not yet been audited for the year ended December 31, 2022. Black Sesame Semiconductor Singapore PTE Ltd. was deregistered in May 2023.
- (ix) The statutory financial statements were audited by Audnest Assurance Chartered Accountants for the year ended December 31, 2023.

(b) Investments in subsidiaries – the Company

	As at December 31,			As at
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries, at costs	108,865	118,920	461,296	497,625
Deemed investment arising from share-based payment (<i>Note 2.2.5</i>)	159,649	499,193	920,245	1,033,380
	<u>108,865</u>	<u>118,920</u>	<u>461,296</u>	<u>497,625</u>
Provisions for impairment	(160,135)	(406,281)	(997,156)	(1,065,052)
	<u>(160,135)</u>	<u>(406,281)</u>	<u>(997,156)</u>	<u>(1,065,052)</u>
	<u>108,379</u>	<u>211,832</u>	<u>384,385</u>	<u>465,953</u>

15 PROPERTY, PLANT AND EQUIPMENT

	Electronic devices <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021					
Cost	12,246	868	913	–	14,027
Accumulated depreciation	(5,286)	(204)	(389)	–	(5,879)
Net book amount	<u>6,960</u>	<u>664</u>	<u>524</u>	<u>–</u>	<u>8,148</u>
Year ended December 31, 2021					
Opening net book amount	6,960	664	524	–	8,148
Additions	21,859	165	2,638	877	25,539
Disposal	(31)	(97)	(22)	–	(150)
Depreciation charge (Note 7)	(5,005)	(145)	(395)	(132)	(5,677)
Currency translation differences	(102)	(12)	(52)	–	(166)
Closing net book amount	<u>23,681</u>	<u>575</u>	<u>2,693</u>	<u>745</u>	<u>27,694</u>
At December 31, 2021					
Cost	33,860	811	3,442	877	38,990
Accumulated depreciation	(10,179)	(236)	(749)	(132)	(11,296)
Net book amount	<u>23,681</u>	<u>575</u>	<u>2,693</u>	<u>745</u>	<u>27,694</u>
At January 1, 2022					
Cost	33,860	811	3,442	877	38,990
Accumulated depreciation	(10,179)	(236)	(749)	(132)	(11,296)
Net book amount	<u>23,681</u>	<u>575</u>	<u>2,693</u>	<u>745</u>	<u>27,694</u>
Year ended December 31, 2022					
Opening net book amount	23,681	575	2,693	745	27,694
Additions	47,010	681	2,203	162	50,056
Government grants related to assets	(5,000)	–	–	–	(5,000)
Disposal	(657)	(22)	–	–	(679)
Depreciation charge (Note 7)	(15,547)	(288)	(1,396)	(253)	(17,484)
Currency translation differences	491	44	171	–	706
Closing net book amount	<u>49,978</u>	<u>990</u>	<u>3,671</u>	<u>654</u>	<u>55,293</u>

	Electronic devices <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2022					
Cost	74,972	1,448	5,382	1,040	82,842
Accumulated depreciation	(24,994)	(458)	(1,711)	(386)	(27,549)
Net book amount	<u>49,978</u>	<u>990</u>	<u>3,671</u>	<u>654</u>	<u>55,293</u>
At January 1, 2023					
Cost	74,972	1,448	5,382	1,040	82,842
Accumulated depreciation	(24,994)	(458)	(1,711)	(386)	(27,549)
Net book amount	<u>49,978</u>	<u>990</u>	<u>3,671</u>	<u>654</u>	<u>55,293</u>
Year ended					
December 31, 2023					
Opening net book amount	49,978	990	3,671	654	55,293
Additions	74,806	486	6,134	–	81,426
Disposal	(1,138)	–	–	(344)	(1,482)
Depreciation charge (Note 7)	(31,760)	(702)	(4,221)	(171)	(36,854)
Currency translation differences	125	10	71	–	206
Closing net book amount	<u>92,011</u>	<u>784</u>	<u>5,655</u>	<u>139</u>	<u>98,589</u>
At December 31, 2023					
Cost	148,577	1,949	11,350	498	162,374
Accumulated depreciation	(56,566)	(1,165)	(5,695)	(359)	(63,785)
Net book amount	<u>92,011</u>	<u>784</u>	<u>5,655</u>	<u>139</u>	<u>98,589</u>
(Unaudited)					
At January 1, 2023					
Cost	74,972	1,448	5,382	1,040	82,842
Accumulated depreciation	(24,994)	(458)	(1,711)	(386)	(27,549)
Net book amount	<u>49,978</u>	<u>990</u>	<u>3,671</u>	<u>654</u>	<u>55,293</u>
Three months ended					
March 31, 2023					
Opening net book amount	49,978	990	3,671	654	55,293
Additions	11,726	6	1,691	–	13,423
Disposal	(12)	–	–	–	(12)
Depreciation charge (Note 7)	(5,307)	(66)	(520)	(65)	(5,958)
Currency translation differences	(76)	(8)	(2)	–	(86)
Closing net book amount	<u>56,309</u>	<u>922</u>	<u>4,840</u>	<u>589</u>	<u>62,660</u>

APPENDIX I
ACCOUNTANT'S REPORT

	Electronic devices <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
At March 31, 2023					
Cost	86,536	1,442	7,066	1,039	96,083
Accumulated depreciation	(30,227)	(520)	(2,226)	(450)	(33,423)
Net book amount	<u>56,309</u>	<u>922</u>	<u>4,840</u>	<u>589</u>	<u>62,660</u>
At January 1, 2024					
Cost	148,577	1,949	11,350	498	162,374
Accumulated depreciation	(56,566)	(1,165)	(5,695)	(359)	(63,785)
Net book amount	<u>92,011</u>	<u>784</u>	<u>5,655</u>	<u>139</u>	<u>98,589</u>
Three months ended March 31, 2024					
Opening net book amount	92,011	784	5,655	139	98,589
Additions	16,375	80	625	–	17,080
Depreciation charge (Note 7)	(11,078)	(90)	(768)	(31)	(11,967)
Currency translation differences	(13)	1	(34)	–	(46)
Closing net book amount	<u>97,295</u>	<u>775</u>	<u>5,478</u>	<u>108</u>	<u>103,656</u>
At March 31, 2024					
Cost	164,923	2,031	11,140	497	178,591
Accumulated depreciation	(67,628)	(1,256)	(5,662)	(389)	(74,935)
Net book amount	<u>97,295</u>	<u>775</u>	<u>5,478</u>	<u>108</u>	<u>103,656</u>

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statements of comprehensive (loss)/income as follows:

	Year ended December 31,			Three months ended March 31,	
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
Research and development expenses	4,622	13,469	31,661	4,602	10,736
General and administrative expenses	884	3,919	4,915	1,322	1,202
Selling expenses	171	96	278	34	29
	<u>5,677</u>	<u>17,484</u>	<u>36,854</u>	<u>5,958</u>	<u>11,967</u>

16 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Right-of-use assets				
Leased buildings	11,375	33,243	50,848	54,518
Lease liabilities				
Current	5,380	18,412	18,521	19,020
Non-current	6,196	16,223	33,927	35,651
	11,576	34,635	52,448	54,671

Additions to leased buildings during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 were approximately RMB9.9 million, RMB36.4 million, RMB40.5 million, nil and RMB9.4 million, respectively.

(b) Amounts recognised in the consolidated statement of comprehensive (loss)/income

The consolidated statement of comprehensive (loss)/income shows the following amounts relating to leases:

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets (Note 7)	5,185	14,929	18,040	4,354	5,684
Interest expense (included in finance cost) (Note 11)	515	1,479	1,817	469	713
Expense relating to short-term leases (Note 7)	1,659	6,908	6,140	1,337	1,554

The total cash outflows for leases during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 were approximately RMB7.4 million, RMB22.2 million, RMB24.3 million, RMB5.3 million and RMB9.4 million, respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases various buildings for operation. Rental contracts are typically made for fixed periods ranging from 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 lessors. Leased assets may not be used as security for borrowing purposes.

17 INTANGIBLE ASSETS

	Software <i>RMB'000</i>
At January 1, 2021	
Cost	23,862
Accumulated amortisation	(8,567)
	<hr/>
Net book amount	15,295
	<hr/>
Year ended December 31, 2021	
Opening net book amount	15,295
Additions	8,278
Amortisation charge (<i>Note 7</i>)	(9,886)
	<hr/>
Closing net book amount	13,687
	<hr/>
At December 31, 2021	
Cost	28,817
Accumulated amortisation	(15,130)
	<hr/>
Net book amount	13,687
	<hr/> <hr/>
At January 1, 2022	
Cost	28,817
Accumulated amortisation	(15,130)
	<hr/>
Net book amount	13,687
	<hr/>
Year ended December 31, 2022	
Opening net book amount	13,687
Additions	21,030
Amortisation charge (<i>Note 7</i>)	(17,300)
	<hr/>
Closing net book amount	17,417
	<hr/>
At December 31, 2022	
Cost	30,618
Accumulated amortization	(13,201)
	<hr/>
Net book amount	17,417
	<hr/> <hr/>
At January 1, 2023	
Cost	30,618
Accumulated amortisation	(13,201)
	<hr/>
Net book amount	17,417
	<hr/>
Year ended December 31, 2023	
Opening net book amount	17,417
Additions	89,027
Amortisation charge (<i>Note 7</i>)	(31,649)
	<hr/>
Closing net book amount	74,795
	<hr/> <hr/>
At December 31, 2023	
Cost	113,044
Accumulated amortization	(38,249)
	<hr/>
Net book amount	74,795
	<hr/> <hr/>

	Software <i>RMB'000</i>
(Unaudited)	
At January 1, 2023	
Cost	30,618
Accumulated amortisation	<u>(13,201)</u>
Net book amount	<u>17,417</u>
Three months ended March 31, 2023	
Opening net book amount	17,417
Additions	39,307
Amortisation charge (<i>Note 7</i>)	<u>(5,925)</u>
Closing net book amount	<u>50,799</u>
At March 31, 2023	
Cost	69,925
Accumulated amortization	<u>(19,126)</u>
Net book amount	<u><u>50,799</u></u>
At January 1, 2024	
Cost	113,044
Accumulated amortisation	<u>(38,249)</u>
Net book amount	<u>74,795</u>
Three months ended March 31, 2024	
Opening net book amount	74,795
Additions	2,288
Amortisation charge (<i>Note 7</i>)	<u>(10,286)</u>
Closing net book amount	<u>66,797</u>
At March 31, 2024	
Cost	115,333
Accumulated amortization	<u>(48,536)</u>
Net book amount	<u><u>66,797</u></u>

As at March 31, 2024, the intangible assets of the Group are mainly software which included electronic design automation software and office software.

Amortisation of the Group's intangible assets has been recognised as follows:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31,	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Research and development expenses	9,808	16,761	30,577	5,581	9,980
General and administrative expenses	<u>78</u>	<u>539</u>	<u>1,072</u>	<u>344</u>	<u>306</u>
	<u><u>9,886</u></u>	<u><u>17,300</u></u>	<u><u>31,649</u></u>	<u><u>5,925</u></u>	<u><u>10,286</u></u>

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended December 31,			Three months ended	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	March 31, 2023 RMB'000	2024 RMB'000
Investment in associates					
At the beginning of the year/period	10,326	9,604	8,617	8,617	17,176
Additions (iii)	–	–	10,000	–	–
Share of net loss of associate accounted for using the equity method	(722)	(987)	(1,441)	(248)	(1,961)
At the end of the year/period	<u>9,604</u>	<u>8,617</u>	<u>17,176</u>	<u>8,369</u>	<u>15,215</u>

Set out below is a list of the associates of the Group as at December 31, 2021, 2022 and 2023 and March 31, 2024. The investments in associates only consist of ordinary shares.

Name	Date of incorporation	Place of incorporation	Percentage of ownership interest attributable to the Group				Principal activities
			As at December 31, 2021	2022	2023	As at March 31, 2024	
Mairun Intelligent Technology (Shanghai) Co., Ltd. (“Mairun”) 邁潤智能科技(上海)有限公司 (i)	July 6, 2018	PRC	9.17%	8.84%	8.84%	8.84%	Intelligent technology
Guoqi Pujin Intelligent Technology (Anqing) Co., Ltd. (“Guoqi”) 國汽樸津智能科技(安慶)有限公司 (ii)	August 10, 2020	PRC	4.34%	4.34%	4.20%	4.20%	Intelligent technology
Lingtong Technology (Shanghai) Co., Ltd. (“Lingtong”) 領瞳科技(上海)有限公司 (iii)	March 22, 2023	PRC	N/A	N/A	15%	15%	Intelligent technology

- (i) In November 2018, Black Sesame Shanghai invested 10% equity interests in Mairun at a cash consideration of RMB7.9 million and has significant influence based on its representation on the board of directors. In 2019 and 2021, the equity interest held by Black Sesame Shanghai have been diluted to 9.3% and 8.84% respectively due to capital injection from other shareholders. Impact of the dilutions was immaterial to the consolidated financial statements.
- (ii) In September 2020, Black Sesame Shanghai invested 4.34% equity interests in Guoqi at a cash consideration of RMB3 million and has significant influence based on its representation on the board of directors. In April 2023, the equity interest held by Black Sesame Shanghai have been diluted to 4.2% due to the capital injection from other shareholders. Impact of the dilutions was immaterial to the consolidated financial statements.
- (iii) In November 2023, Black Sesame Wuhan invested 15% equity interests in Lingtong at a cash consideration of RMB10 million and has significant influence based on its representation on the board of directors.

In the opinion of the directors of the Company, none of the associates was material to the Group as of December 31, 2021, 2022 and 2023 and March 31, 2024.

The investments in associates as at December 31, 2021, 2022 and 2023 and March 31, 2024 are as follows:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Investment in associates				
– Mairun	6,783	5,766	6,731	6,173
– Guoqi	2,821	2,851	1,238	189
– Lingtong	–	–	9,207	8,853
	<u>9,604</u>	<u>8,617</u>	<u>17,176</u>	<u>15,215</u>

19 INVENTORIES

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the inventories held by the Group for sales are shown by category as below:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Work in progress	–	52,359	75,364	68,156
Finished goods	3,220	20,461	14,295	33,169
	3,220	72,820	89,659	101,325
Less: Provision for impairment of inventories	–	–	(18,236)	(19,512)
	<u>3,220</u>	<u>72,820</u>	<u>71,423</u>	<u>81,813</u>

During the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, inventories recognised as cost of sales amounted to RMB35.7 million, RMB109.8 million, RMB197.6 million, RMB23.7 million and RMB9.3 million, respectively, and provision for impairment of inventories recognised as cost of sales amounted to nil, nil, RMB18.2 million, nil, RMB19.5 million, respectively.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Financial assets				
Financial assets at FVPL (<i>Note 21</i>)	–	706,462	28,989	29,144
Financial assets at amortised cost:				
– Trade and notes receivables (<i>Note 23</i>)	49,459	125,219	164,937	143,860
– Other receivables (excluded prepayments, contract fulfillment cost, listing expenses to be capitalised and value-added tax recoverable) (<i>Note 22</i>)	19,936	15,909	19,049	18,194
– Cash and cash equivalents (<i>Note 24</i>)	1,553,419	982,229	1,298,412	1,053,511
	<u>1,622,814</u>	<u>1,829,819</u>	<u>1,511,387</u>	<u>1,244,709</u>
Financial liabilities				
Financial instruments issued to investors (<i>Note 28</i>)	5,249,949	8,386,402	12,589,493	10,977,065
Financial liabilities at amortised cost:				
– Trade payables (<i>Note 29</i>)	13,083	69,907	68,085	52,370
– Other payables and accruals (excluding government grants, other tax payables, payroll and welfare payables) (<i>Note 30</i>)	54,444	12,853	77,170	108,336
– Borrowings (<i>Note 27</i>)	26,290	12,581	–	67,861
– Lease liabilities (<i>Note 16</i>)	11,576	34,635	52,448	54,671
	<u>5,355,342</u>	<u>8,516,378</u>	<u>12,787,196</u>	<u>11,260,303</u>

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at fair FVPL:

- debt investments that do not qualify for measurement at either amortised cost or at FVOCI;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains or losses through OCI.

Financial assets measured at FVPL include the following:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Current assets				
– Short-term investments measured at FVPL (a)	–	706,462	8,197	8,316
Non-current assets				
– Long-term investments measured at FVPL (b)	–	–	20,792	20,828
Total financial assets	<u>–</u>	<u>706,462</u>	<u>28,989</u>	<u>29,144</u>

- (a) Short-term investments measured at FVPL represents United States Treasury Bond purchased from Bank of America and money market fund unsecured with variable interest rates. The Group measures the investments at fair value using the quoted subscription or redemption prices published by the banks.

During the year ended December 31, 2022, the Group made investments in United States Treasury Bond and money market fund with the amount of RMB673 million.

During the year ended December 31, 2023, the Group received proceeds from the redemption of United States Treasury Bond and money market fund with the amount of RMB710 million upon maturity.

During the three months period ended March 31, 2023 and 2024, the Group received proceeds from the redemption of United States Treasury Bond with the amount of RMB356 million and nil, respectively, upon maturity.

- (b) In November 2022, Dark Benne Limited, a wholly owned subsidiary of the Company, entered into an agreement to invest in 4.6% equity interests of a limited partnership fund as a limited partner with a total consideration of USD2.9 million (equivalent to RMB20 million). The consideration was paid in full in April 2023. As a limited partner, the Group has no significant influence over the limited partnership fund. Hence, the investment is accounted for as financial assets at FVPL with changes in the fair value recorded in the consolidated statements of comprehensive (loss)/income.

During the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, the following net fair value gains were recognised in the consolidated statements of comprehensive (loss)/income:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31,	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Gains on financial assets at FVPL recognised in other (losses)/gains – net	–	9,659	12,129	6,391	105

22 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Non-current:				
Capacity retention fees to packaging and testing services provider	5,756	9,219	9,635	9,768
Deposits	2,415	4,626	4,884	3,227
Others	2,310	3,307	2,955	2,639
	<u>10,481</u>	<u>17,152</u>	<u>17,474</u>	<u>15,634</u>
Less: loss allowance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>10,481</u>	<u>17,152</u>	<u>17,474</u>	<u>15,634</u>
Current:				
Prepayments	61,283	92,405	25,340	50,349
Value-added tax recoverable	11,997	25,503	63,890	77,545
Contract fulfillment cost (<i>Note 6(b)</i>)	–	13,869	1,083	1,785
Listing expenses to be capitalized	–	592	2,854	3,306
Deposits	1,877	1,769	3,862	4,621
Receivable from government grants	3,500	–	–	–
Amounts due from a related party (<i>Note 34(c)</i>)	5,900	–	–	–
Others	488	295	668	578
	<u>85,045</u>	<u>134,433</u>	<u>97,697</u>	<u>138,184</u>
Less: loss allowance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>85,045</u>	<u>134,433</u>	<u>97,697</u>	<u>138,184</u>

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at each year end.

Other receivables that are measured at amortised costs included deposits and amounts due from a related party and others were considered to be of low credit risk, and thus the impairment provision recognised during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 was limited to 12 months expected losses. The expected credit losses were minimal as these receivables had no history of default, certain amount of receivables were subsequently settled, and there was no unfavorable current conditions and forecast future economic conditions identified as at December 31, 2021, 2022 and 2023 and March 31, 2024.

The Company

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Amounts due from subsidiaries	1,053,001	2,654,819	3,589,586	3,447,291
Provisions for impairment	(236,691)	(481,588)	(498,806)	(557,142)
	<u>816,310</u>	<u>2,173,231</u>	<u>3,090,780</u>	<u>2,890,149</u>
Listing expenses to be capitalized	–	–	2,854	3,306
	<u>–</u>	<u>–</u>	<u>2,854</u>	<u>3,306</u>

23 TRADE AND NOTES RECEIVABLES

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Non-current:				
Trade and notes receivables	–	–	–	16,561
Less: provision for impairment (Note 3.1(b))	–	–	–	(2,587)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,974</u>
Current:				
Trade and notes receivables	52,125	136,369	185,499	153,408
Less: provision for impairment (Note 3.1(b))	(2,666)	(11,150)	(20,562)	(23,522)
	<u>49,459</u>	<u>125,219</u>	<u>164,937</u>	<u>129,886</u>

The Group usually grants a credit period of 30 days to 180 days to its customers. As at December 31, 2021, 2022 and 2023 and March 31, 2024, the aging analysis of trade and notes receivables based on recognition date of gross trade and notes receivables are as follows:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Up to 3 months	28,514	64,621	103,121	21,626
3 to 6 months	6,888	7,591	2,459	67,377
6 to 9 months	5,882	28,790	8,036	2,381
9 to 12 months	272	16,669	12,876	7,802
over 12 months	10,569	18,698	59,007	70,783
	<u>52,125</u>	<u>136,369</u>	<u>185,499</u>	<u>169,969</u>

The majority of the Group's trade and notes receivables were denominated in RMB.

24 CASH AND BANK BALANCES

The Group

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cash and cash equivalents (<i>Note 20</i>)	1,553,419	982,229	1,298,412	1,053,511
Cash and cash equivalents are denominated in:				
– USD	1,397,118	801,024	987,304	873,968
– RMB	155,352	178,373	309,140	177,330
– SGD	949	2,832	1,968	2,213
	1,553,419	982,229	1,298,412	1,053,511

The Company

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cash and cash equivalents	1,389,115	250,126	593,161	710,015

As at December 31, 2021, 2022 and 2023 and March 31, 2024, cash and cash equivalents of the Group and the Company are mainly denominated in USD.

25 SHARE CAPITAL

The Group and the Company

Authorized

	Number of shares	Nominal value of shares in USD
Authorized shares as at December 31, 2021, 2022 and 2023 and March 31, 2024 (<i>a</i>)	1,000,000,000	100,000

Issued

	Number of shares	Nominal value of shares in USD USD'000	Equivalent nominal value of shares RMB'000
As at January 1, 2021	80,000,000	8	52
Repurchase and cancellation of ordinary shares (<i>b</i>)	(9,000,000)	(1)	(6)
As at December 31, 2021	71,000,000	7	46
As at December 31, 2022, 2023 and March 31, 2024	71,000,000	7	46

- (a) The Company was incorporated in the Cayman Islands on July 15, 2016 with an authorized share capital of USD50,000 divided into 500,000,000 ordinary shares of a par value of USD0.0001 each.

In September 2019, the Company increased the authorized share capital to USD100,000 divided into 1,000,000,000 shares of a par value of USD0.0001 each.

As at March 31, 2024, the authorized share capital of the Company is USD100,000 divided into 1,000,000,000 shares: (i) 581,215,714 ordinary shares of a par value of USD0.0001 each, (ii) 71,000,000 Series A redeemable convertible Preferred Shares of a par value of USD0.0001 each, (iii) 42,388,282 Series A-1 redeemable convertible Preferred Shares of a par value of USD0.0001 each, (iv) 54,977,656 Series B-1 redeemable convertible Preferred Shares of a par value of USD0.0001 each, (v) 6,000,000 Series B-2 redeemable convertible Preferred Shares of a par value of USD0.0001 each, (vi) 24,557,864 Series B-3 redeemable convertible Preferred Shares of a par value of USD0.0001 each, (vii) 23,959,003 Series B-4 redeemable convertible Preferred Shares of a par value of USD0.0001 each, (viii) 49,315,790 Series B+ redeemable convertible Preferred Shares of a par value of USD0.0001 each, (ix) 75,780,089 Series C redeemable convertible Preferred Shares of a par value of USD0.0001 each, (x) 70,805,602 Series C+ redeemable convertible Preferred Shares of a par value of USD0.0001 each.

- (b) In March 2021, the Company repurchased 9,000,000 ordinary shares from one of its shareholders at the purchase price of USD0.8 per share at an aggregate consideration USD7.2 million (equivalent to RMB46.5 million) which reduced the nominal value of shares and the reserves by RMB6 thousand and RMB46.5 million, respectively. No compensation cost was recognised. All these repurchased ordinary shares were cancelled in 2021. The Group made payment of USD6.5 million (equivalent to RMB41.9 million) in 2021 and made the remaining payment of USD0.7 million (equivalent to RMB4.6 million) in 2022.
- (c) As at December 31, 2021, 2022 and 2023 and March 31, 2024, 9,497,982, 11,456,205, 17,663,676 and 22,678,454 options were exercised but not yet registered as ordinary shares of the Company, respectively (Note 31). In June 2024, the Company completed the ordinary share registration for the options exercised under the Pre-IPO Incentive Plan in previous periods.

26 RESERVES

The Group

	Currency translation differences <i>RMB'000</i>	Fair value change on redeemable convertible preferred shares due to own credit risk <i>RMB'000</i>	Share-based Compensation <i>RMB'000</i>	Repurchase and cancellation of ordinary shares <i>RMB'000</i>	Repurchase and cancellation of vested share options <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2021	58,216	(10,208)	47,905	-	-	95,913
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	-	(11,730)	-	-	-	(11,730)
Share-based compensation (Note 31)	-	-	111,744	-	-	111,744
Repurchase and cancellation of ordinary shares (Note 25(b))	-	-	-	(46,500)	-	(46,500)
Repurchase and cancellation of vested share options (Note 31)	-	-	-	-	(36,378)	(36,378)
Currency translation differences	62,755	-	-	-	-	62,755
As at December 31, 2021	120,971	(21,938)	159,649	(46,500)	(36,378)	175,804

	Currency translation differences RMB'000	Fair value change on redeemable convertible preferred shares due to own credit risk RMB'000	Share-based Compensation RMB'000	Repurchase and cancellation of ordinary shares RMB'000	Repurchase and cancellation of vested share options RMB'000	Total RMB'000
As at January 1, 2022	120,971	(21,938)	159,649	(46,500)	(36,378)	175,804
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(10,114)	–	–	–	(10,114)
Share-based compensation (Note 31)	–	–	339,544	–	–	339,544
Repurchase and cancellation of vested share options (Note 31)	–	–	–	–	(22,686)	(22,686)
Currency translation differences	(396,648)	–	–	–	–	(396,648)
As at December 31, 2022	<u>(275,677)</u>	<u>(32,052)</u>	<u>499,193</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>85,900</u>
As at January 1, 2023	(275,677)	(32,052)	499,193	(46,500)	(59,064)	85,900
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(5,023)	–	–	–	(5,023)
Share-based compensation (Note 31)	–	–	421,052	–	–	421,052
Currency translation differences	(148,349)	–	–	–	–	(148,349)
As at December 31, 2023	<u>(424,026)</u>	<u>(37,075)</u>	<u>920,245</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>353,580</u>
(Unaudited)						
As at January 1, 2023	(275,677)	(32,052)	499,193	(46,500)	(59,064)	85,900
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(3,940)	–	–	–	(3,940)
Share-based compensation (Note 31)	–	–	80,722	–	–	80,722
Currency translation differences	89,489	–	–	–	–	89,489
As at March 31, 2023	<u>(186,188)</u>	<u>(35,992)</u>	<u>579,915</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>252,171</u>
As at January 1, 2024	(424,026)	(37,075)	920,245	(46,500)	(59,064)	353,580
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	2,659	–	–	–	2,659
Share-based compensation (Note 31)	–	–	113,135	–	–	113,135
Currency translation differences	(23,575)	–	–	–	–	(23,575)
As at March 31, 2024	<u>(447,601)</u>	<u>(34,416)</u>	<u>1,033,380</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>445,799</u>

The Company

	Currency translation differences RMB'000	Fair value change on redeemable convertible preferred shares due to own credit risk RMB'000	Share-based Compensation RMB'000	Repurchase and cancellation of ordinary shares RMB'000	Repurchase and cancellation of vested share options RMB'000	Total RMB'000
As at January 1, 2021	59,500	(10,208)	47,905	–	–	97,197
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(11,730)	–	–	–	(11,730)
Share-based compensation	–	–	111,744	–	–	111,744
Repurchase and cancellation of ordinary shares (Note 25(b))	–	–	–	(46,500)	–	(46,500)
Repurchase and cancellation of vested share options (Note 31)	–	–	–	–	(36,378)	(36,378)
Currency translation differences	51,141	–	–	–	–	51,141
As at December 31, 2021	<u>110,641</u>	<u>(21,938)</u>	<u>159,649</u>	<u>(46,500)</u>	<u>(36,378)</u>	<u>165,474</u>
As at January 1, 2022	110,641	(21,938)	159,649	(46,500)	(36,378)	165,474
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(10,114)	–	–	–	(10,114)
Share-based compensation	–	–	339,544	–	–	339,544
Repurchase and cancellation of vested share options (Note 31)	–	–	–	–	(22,686)	(22,686)
Currency translation differences	(341,892)	–	–	–	–	(341,892)
As at December 31, 2022	<u>(231,251)</u>	<u>(32,052)</u>	<u>499,193</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>130,326</u>
As at January 1, 2023	(231,251)	(32,052)	499,193	(46,500)	(59,064)	130,326
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(5,023)	–	–	–	(5,023)
Share-based compensation	–	–	421,052	–	–	421,052
Currency translation differences	(139,685)	–	–	–	–	(139,685)
As at December 31, 2023	<u>(370,936)</u>	<u>(37,075)</u>	<u>920,245</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>406,670</u>
(Unaudited)						
As at January 1, 2023	(231,251)	(32,052)	499,193	(46,500)	(59,064)	130,326
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	(3,940)	–	–	–	(3,940)
Share-based compensation	–	–	80,722	–	–	80,722
Currency translation differences	58,128	–	–	–	–	58,128
As at March 31, 2023	<u>(173,123)</u>	<u>(35,992)</u>	<u>579,915</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>265,236</u>
As at January 1, 2024	(370,936)	(37,075)	920,245	(46,500)	(59,064)	406,670
Fair value change on redeemable convertible preferred shares due to own credit risk (Note 28(a))	–	2,659	–	–	–	2,659
Share-based compensation	–	–	113,135	–	–	113,135
Currency translation differences	(18,270)	–	–	–	–	(18,270)
As at March 31, 2024	<u>(389,206)</u>	<u>(34,416)</u>	<u>1,033,380</u>	<u>(46,500)</u>	<u>(59,064)</u>	<u>504,194</u>

27 BORROWINGS

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Borrowings included in non-current liabilities:				
– Bank borrowings, secured (a)	12,255	–	–	–
	<u>12,255</u>	<u>–</u>	<u>–</u>	<u>–</u>
Borrowings included in current liabilities:				
– Bank borrowings, secured (a)	13,783	12,255	–	–
– Bank borrowings, unsecured (b) (c)	–	–	–	67,800
– Interest payables	252	326	–	61
	<u>14,035</u>	<u>12,581</u>	<u>–</u>	<u>67,861</u>
	<u>26,290</u>	<u>12,581</u>	<u>–</u>	<u>67,861</u>

- (a) In November 2020, Black Sesame Shanghai entered into a loan facility agreement with Shanghai Pudong Development Silicon Valley Bank (“SSVB”) which provided Black Sesame Shanghai a credit limit in an aggregate principal amount of RMB34.5 million with a floating interest per annum (1.65% above the loan prime rate). Borrowings under the loan facility agreement were collateralized by accounts receivables of Black Sesame Shanghai during the terms of borrowings and also guaranteed by the Company. As of December 31, 2021 and 2022, accounts receivable of Black Sesame Shanghai with the carrying amount of RMB28.7 million and RMB26.3 million, respectively, were collateralized.

In November 2020, the Group drew down borrowings with the principal amount of RMB34.5 million under the facility which were repayable by instalments over a thirty months period commencing from 6 months after the origination date.

In conjunction with the loan facility agreement, the Company issued China Equities HK Limited (“China Equities”), a related party of SSVB, a warrant (“2020 Ordinary Share Warrant”) to subscribe 247,280 ordinary shares of the Company at the purchase price of USD1.2132 per share within a term of 7 years from the issuance date (Note 28 (b(ii))). Proceeds drawn down under the loan facility together with the warrant purchase price were allocated between the borrowings which were subsequently measured at amortised cost and the 2020 Ordinary Share Warrant which was subsequently measured at fair value through profit or loss.

In November 2023, the above borrowings and related interest were fully repaid and the collateralization was released accordingly.

- (b) In April 2023, Black Sesame Wuhan entered into a one-year loan facility agreement with China Merchants Bank Company Limited Wuhan Branch which provided Black Sesame Wuhan a credit limit in an aggregate principal amount of RMB50 million. As of December 31, 2023, no borrowings were drawn down under the facility. As of March 31, 2024, Black Sesame Wuhan has drawn down borrowings with the amount of RMB50 million under the facility with an interest rate of 3.2% per annum which shall be repaid by March 2025.
- (c) In April 2023, Black Sesame Shanghai entered into a one-year loan facility agreement with China Merchants Bank Company Limited Shanghai Branch which provided Black Sesame Shanghai a credit limit in an aggregate principal amount of RMB30 million. As of December 31, 2023, no borrowings were drawn down under the facility. As of March 31, 2024, Black Sesame Shanghai has drawn down borrowings with the amount of RMB17.8 million under the facility with an interest rate of 3.2% per annum which shall be repaid by October 2024.

Subsequently in April 2024, Black Sesame Shanghai further drew down borrowings with the amount of RMB12.2 million under the facility with an interest rate of 3.2% per annum which shall be repaid by October 2024.

- (d) Subsequently in May 2024, Black Sesame Wuhan and Black Sesame Shanghai entered into a two-year syndicated loan agreement with SSVB which acts as the lead and agent bank, and several other banks, which provided Black Sesame Wuhan and Black Sesame Shanghai a loan in an aggregate principal amount of RMB500 million. Out of the total amount, RMB300 million and RMB200 million will be due for repayment by instalments in November 2025 and May 2026, respectively. Also, the bank has the right to request the Group to make early repayment of the loans in full if the Company fails to consummate equity financing with the gross proceeds no less than a pre-determined amount by December 31, 2024. Borrowings under the loan agreement were guaranteed by Black Sesame International Holding Limited. In May, June and July 2024, Black Sesame Wuhan drew down borrowings with an aggregate amount of RMB190.1 million and Black Sesame Shanghai drew down borrowings with an aggregate amount of RMB74.9 million under the loan agreement with interest rates of 3.7% per annum.
- (e) The weighted average interest rates for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 were 6.12%, 6.12%, 6.12%, 6.12% and 3.2%, respectively per annum.

28 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Current liabilities				
– Redeemable convertible preferred shares (a)	5,094,096	8,279,244	12,589,493	10,977,065
– Commitment derivatives (d)	28,000	67,941	–	–
– Convertible notes (c)	125,854	35,413	–	–
– Warrant liabilities (b)	1,999	3,804	–	–
	<u>5,249,949</u>	<u>8,386,402</u>	<u>12,589,493</u>	<u>10,977,065</u>

The Company

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Current liabilities				
– Redeemable convertible preferred shares (a)	5,094,096	8,279,244	12,589,493	10,977,065
– Commitment derivatives (d)	28,000	67,941	–	–
– Warrant liabilities (b)	1,999	3,804	–	–
	<u>5,124,095</u>	<u>8,350,989</u>	<u>12,589,493</u>	<u>10,977,065</u>

(a) Redeemable convertible preferred shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing Preferred Shares to investors, namely, Series A Preferred Shares, Series A-1 Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, Series B+ Preferred Shares, Series C Preferred Shares and Series C+ Preferred Shares.

The particulars of the Preferred Shares issuance are set out in the table below:

Series	Date of issuance	Purchase Price (USD/Share)	Number of Shares	Total consideration USD'000
Series A Preferred Shares	September 2016, November 2016, December 2016, January 2017, February 2017, July 2017	0.1000	71,000,000	7,100
Series A-1 Preferred Shares	December 2017, January 2018, March 2018, April 2018, May 2018, June 2021	0.3360	42,388,282	14,242
Series B-1 Preferred Shares	February 2019, March 2019	0.7276	54,977,656	40,002
Series B-2 Preferred Shares	April 2019	0.8003	6,000,000	4,802
Series B-3 Preferred Shares	September 2019	1.0913	24,557,864	26,800
Series B-4 Preferred Shares	August 2020, January 2022, June 2023	1.2132	23,959,003	29,067
Series B+ Preferred Shares	April 2021, July 2021, September 2021, January 2022, June 2023	2.3972	49,315,790	118,220
Series C Preferred Shares	May 2021, June 2021, July 2021, September 2021, June 2022	3.0655	75,780,089	232,304
Series C+ Preferred Shares	December 2021, January 2022, June 2023	3.4733	66,314,154	230,329
			414,292,838	702,866
			414,292,838	702,866

The key terms of the Preferred Shares are summarized as follows:

Dividend rights

Holders of Preferred Shares of later series have preference to receive any declaration or payment of any cash or non-cash dividends in the following sequence: Series C+ Preferred Shares, Series C Preferred Shares, Series B+ Preferred Shares, Series B-4 Preferred Shares, Series B-3 Preferred Shares, Series B-2 Preferred Shares, Series B-1 Preferred Shares, Series A-1 Preferred Shares, Series A Preferred Shares and ordinary shares, cumulative dividends at a simple rate of six percent (6%) per annum of the original issue price of such Preferred Shares on each such Preferred Share held by such holder, payable when, as and if declared by the board of directors.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders shall, by reason of the shareholders' ownership of the shares, be distributed as follows:

First, the holders of the Preferred Shares shall be entitled to receive for each outstanding Preferred Share held and fully paid, as applicable, the amount equal to one hundred percent of the applicable Preferred Share's issue price, plus all declared but unpaid dividends on such Preferred Shares. If the assets and funds are insufficient for the full payment to such holders of such Preferred Shares, then the entire assets and funds legally available for distribution shall be distributed ratably among such holders in proportion. Upon the liquidation, in order of preference, first to the holders of Series C+ Preferred Shares, then to the holders of Series C Preferred Shares, Series B+ Preferred Shares, Series B-4 Preferred Shares, Series B-3 Preferred Shares, Series B-2 and B-1 Preferred Shares, Series A-1 Preferred Shares, and last to the holders of Series A Preferred Shares and ordinary shares.

Second, if there are any assets or funds remaining after the aggregate amount have been distributed or paid in full to the applicable holders of Preferred Shares as above, the remaining assets and funds legally available for distribution shall be distributed ratably among the holders of ordinary shares and holders of Preferred Shares according to the relative number of ordinary shares on an as-converted basis. Except for the holders of Series C+ Preferred Shares, Series C Preferred Shares and Series B+ Preferred Shares, the total amount that may be distributed to each holder of Preferred Shares shall not exceed three times of the applicable issue price.

Deemed Liquidation Events shall be treated as a liquidation event. Deemed Liquidation Events includes (a) any consolidation, amalgamation, scheme of arrangement or merger of any Group Company (means each subsidiary of the Company and the Group) with or into any other person or other reorganization in which the shareholders of such Group Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than 50% of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions to which such Group Company is a party in which in excess of 50% of such Group Company's voting power is transferred; (b) a sale, transfer, lease or other disposition of all or substantially all of the assets of any Group Company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Group Company); or (c) the transfer or exclusive licensing, in a single transaction or a series of related transactions, of all or substantially all of any Group Company's IP to a third party.

Redemption rights

The Company shall redeem, at the option of any holder of outstanding Preferred Shares, all of the outstanding Preferred Shares (other than the unpaid shares) held by the requesting holder, at any time after the failure by the Company to complete a Qualified IPO as of March 31, 2026. The redemption price for each fully paid Preferred Share (other than the unpaid shares) shall be equal to one hundred of the Preferred Share's purchase price, plus an annual compounded interest rate of 8% accrued for the period from the Preferred Share's deemed issue date up to and until the date when such Preferred Share is redeemed, plus all declared but unpaid dividends.

Upon the redemption, in order of preference, first to the holders of Series C+ Preferred Shares, then to the holders of Series C Preferred Shares, Series B+ Preferred Shares and all Series B Preferred Shares.

Voting rights

Each Preferred Share (except for these held by the Company's founder Jizhang Shan) shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted. Jizhang Shan shall have ten votes in respect of each ordinary share held, and shall be entitled to such number of votes as equals ten times the number of ordinary shares into which such Jizhang Shan's collective Preferred Shares are convertible in respect of each ordinary share held. Such right is not transferable and may be exercised only by Jizhang Shan. Preferred Shares could vote separately as a class with respect to any matters. As at March 31, 2024, the number of ordinary shares and Preferred Shares held by Jizhang Shan were 42,100,000 and 2,000,000, respectively.

Conversion

Each Preferred Share shall be convertible into such number of fully-paid and non-assessable ordinary shares at the Preferred Share-to-ordinary share conversion ratio equal to Preferred Share Purchase Price divided by the then effective conversion price for such Preferred Share. The conversion price for each Preferred Share shall initially be the applicable Preferred Share purchase price for such Preferred Share, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and shall be subject to adjustment and readjustment for dilution from time to time included but not limited to stock splits, stock dividends and reorganization. Each Preferred Share may, at the option of the holders thereof, be converted at any time after the date of issuance of such Preferred Shares into ordinary shares based on the then-effective applicable Conversion Price.

In addition, each Preferred Shares shall automatically be converted into ordinary shares based on the then effective applicable conversion price for such Preferred Share in effect at the time immediately upon the closing of a Qualified IPO.

Subsequent amendments to the key terms of the Preferred Shares

According to the written resolutions passed by the shareholders on July 26, 2024, it is resolved unanimously that each shareholder of the Company expressly and irrevocably (a) acknowledges and recognises the proposed global offering does not meet the “Qualified IPO” as defined in the existing memorandum and articles of association of the Company; (b) consents to the automatic conversion of Preferred Shares on a 1:1 ratio at the time immediately upon the closing of the proposed global offering; and (c) waives any rights, entitlement or claims against the Company, whether arising at contract or in law, whether such rights, entitlement or claims are provided for under any contract to which that such shareholder is a party or under the existing memorandum and articles of association of the Company (including the redemption rights), provided that (i) the final offer price shall not be less than the cost per share for Series C+ Preferred Shares; and (ii) the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited shall take place on or before September 30, 2024.

Issuance of Series A-1 Warrant and Series A-2 Preferred Shares

In December 2017, the Company issued to a third party investor warrants to purchase 14,714,284 Series A-1 Preferred Shares at the purchase price of USD0.336 per share for an aggregate purchase price of USD4.9 million (equivalent to RMB32.8 million) (“Series A-1 Warrant”) together with one (1) share of Series A-2 Preferred Share. The one (1) share of Series A-2 Preferred Share is deemed to represent total number of Series A-1 Preferred Shares included one (1) share plus total shares issuable upon full exercise of the Series A-1 warrant.

The third party investor, at its sole discretion, has the right to purchase 14,714,284 Series A-1 Preferred Shares within a term of 2 years since the issuance date. Upon exercise of the Series A-1 Warrant, the one (1) share of Series A-2 Preferred Share issued would be forfeited and replaced by one (1) share of Series A-1 Preferred Share.

In conjunction with the issuance of the Series A-1 Warrant, Black Sesame Shanghai issued convertible notes with the principal amount of RMB32.8 million to a related party of the third party investor.

In June 2021, Black Sesame Shanghai repaid the convertible notes in full with RMB32.8 million and the third party investor exercised the 14,714,284 warrants to purchase 14,714,284 Series A-1 Preferred Shares with the purchase price equivalent to RMB32.8 million. At the same time, the one (1) share of Series A-2 Preferred Share issued was forfeited and replaced by one (1) share of Series A-1 Preferred Shares.

Accounting for the Preferred Shares

The Preferred Shares are classified as financial liabilities. In addition, the Group measures the Preferred Shares on a fair value basis and does not bifurcate any embedded derivatives from the host instruments and designates entire instruments as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive (loss)/income, except for the gains or losses arising from the Company’s own credit risk which are presented in OCI with no subsequent reclassification to the statement of profit or loss.

As at December 31, 2021, 2022 and 2023 and March 31, 2024, all the Preferred Shares were classified as current liabilities as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time and the conversion feature does not meet “fixed for fixed” criteria.

If the Company’s own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

The movements of the Preferred Shares during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 are set out as below:

	<i>RMB'000</i>
At January 1, 2021	<u>1,500,222</u>
Issuance of Series B+ Preferred Shares	614,959
Issuance of Series C Preferred Shares	1,420,109
Issuance of Series C+ Preferred Shares	64,584
Change in fair value through profit or loss	1,563,802
Change in fair value due to own credit risk	11,730
Currency translation differences	<u>(81,310)</u>
At December 31, 2021	<u><u>5,094,096</u></u>
At January 1, 2022	<u>5,094,096</u>
Conversion of 2020 Convertible Note for Series B-4 Preferred Shares (Note 28(c))	101,287
Issuance of Series B+ Preferred Shares	73,459
Issuance of Series C Preferred Shares	108,824
Issuance of Series C+ Preferred Shares	692,788
Change in fair value through profit or loss	1,650,214
Change in fair value due to own credit risk	10,114
Currency translation differences	<u>548,462</u>
At December 31, 2022	<u><u>8,279,244</u></u>
At January 1, 2023	<u>8,279,244</u>
Conversion of 2020 Convertible Note for Series B-4 Preferred Shares (Note 28(c))	47,403
Issuance of Series B+ Preferred Shares	161,579
Issuance of Series C+ Preferred Shares	1,046,269
Change in fair value through profit or loss	2,867,081
Change in fair value due to own credit risk	5,023
Currency translation differences	<u>182,894</u>
At December 31, 2023	<u><u>12,589,493</u></u>
(Unaudited)	
At January 1, 2023	<u>8,279,244</u>
Change in fair value through profit or loss	709,230
Change in fair value due to own credit risk	3,940
Currency translation differences	<u>(107,442)</u>
At March 31, 2023	<u><u>8,884,972</u></u>
At January 1, 2024	<u>12,589,493</u>
Change in fair value through profit or loss	(1,636,088)
Change in fair value due to own credit risk	(2,659)
Currency translation differences	<u>26,319</u>
At March 31, 2024	<u><u>10,977,065</u></u>

The Company applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the Preferred Shares. Key assumptions are discussed in Note 3.3.

(b) Warrants

(i) 2018 Ordinary Share Warrant

In October 2018, the Group entered into a loan facility agreement with Silicon Valley Bank (“SVB”) which provided the Group a credit limit in an aggregate principal amount of USD3 million with a floating interest per annum (1% above the loan prime rate). In conjunction with the loan facility agreement, the Group issued SVB a warrant to subscribe 244,388 ordinary shares of the Company at the purchase price of USD0.04 per share within a term of 10 years since the issuance date (“2018 Ordinary Share Warrant”). The purchase price shall be subject to adjustment for dilution from time to time, included but not limited to stock splits and stock dividends. Proceeds drawn down under the loan facility were allocated between the borrowings and the 2018 Ordinary Share Warrant. The 2018 Ordinary Share Warrant was subsequently recorded at fair value with changes in fair value recorded in profit or loss.

The Group repaid all borrowings under the above loan facility in October 2019 and repurchased the 2018 Ordinary Share Warrant in April 2021 with a consideration of USD286,716 (equivalent to RMB1.8 million) which is approximate to the fair market value of the warrant.

(ii) 2020 Ordinary Shares Warrant

In November 2020, the Group entered into a loan facility agreement with SSVB which provided the Group a credit limit in an aggregate principal amount of RMB34.5 million with a floating interest per annum (1.65% above the loan prime rate) (Note 27(a)). In conjunction with the loan facility agreement, the Group issued China Equities, a related party of SSVB, a warrant with a consideration of USD458 to subscribe 247,280 ordinary shares of the Company at the purchase price of USD1.2132 per share within a term of 7 years from the issuance date (“2020 Ordinary Share Warrant”). The purchase price shall be subject to adjustment for dilution from time to time, included but not limited to stock splits and stock dividends. Proceeds drawn down under the loan facility together with the warrant purchase price were allocated between the borrowings and the 2020 Ordinary Share Warrant. The 2020 Ordinary Share Warrant was subsequently recorded at fair value with changes in fair value recorded in profit or loss.

The Group repurchased the 2020 Ordinary Share Warrant in June 2023 with a consideration of USD618,834 (equivalent to RMB4.4 million) which is approximate to the fair market value of the warrant.

The Company’s warrant liabilities activities during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 are summarized below:

	<i>RMB'000</i>
At January 1, 2021	<u>2,030</u>
Repurchase of 2018 Ordinary Share Warrant	(1,818)
Change in fair value	1,833
Currency translation differences	<u>(46)</u>
At December 31, 2021	<u><u>1,999</u></u>
At January 1, 2022	<u>1,999</u>
Change in fair value	1,565
Currency translation differences	<u>240</u>
At December 31, 2022	<u><u>3,804</u></u>

	<i>RMB'000</i>
At January 1, 2023	<u>3,804</u>
Repurchase of 2020 Ordinary Share Warrant	(4,358)
Change in fair value	573
Currency translation differences	<u>(19)</u>
At December 31, 2023	<u><u>–</u></u>
(Unaudited)	
At January 1, 2023	3,804
Change in fair value	404
Currency translation differences	<u>(50)</u>
At March 31, 2023	<u><u>4,158</u></u>

(c) 2020 Convertible Notes

In September 2020, Black Sesame Shanghai issued convertible notes with the principal amount of RMB68.6 million to three third party investors (“2020 Convertible Notes”). The convertible notes have a repayment term of 21 months and an interest rate of 8% per annum.

Pursuant to the agreement, at any time after the date of issuance of this note and prior to the repayment in full, investors of the 2020 Convertible Notes have the option to convert the principal amount to 2.2% equity interests in Black Sesame Shanghai.

In June 2021, the Group entered into a supplementary agreement with the above investors, pursuant to which, the investors are entitled to convert the principal amount into 8,298,417 Series B-4 Preferred Shares of the Company after their outbound investment registration completed, and the investors have the right to require the Company to repay the principal amounts plus 8% interest if the outbound investment registration not completed before September 30, 2021.

As at December 31, 2021 and 2022, the 2020 Convertible Notes amounted to RMB125.9 million and RMB35.4 million, respectively, were classified as current liabilities.

In January 2022, Black Sesame Shanghai repaid RMB55 million to two holders of 2020 Convertible Notes and these two holders then purchased 6,649,935 Series B-4 Preferred Shares with the purchase price equivalent to RMB55 million, which was accounted as conversion of 2020 Convertible Notes into Series B-4 Preferred Shares.

In June 2023, Black Sesame Shanghai repaid RMB13.6 million to the remaining holder of 2020 Convertible Notes and the holder then purchased 1,648,482 Series B-4 Preferred Shares with the purchase price equivalent to RMB13.6 million, which was accounted as conversion of 2020 Convertible Notes into Series B-4 Preferred Shares.

The Group designated the entire hybrid contract of convertible notes as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive (loss)/income.

The movement of the Group's convertible notes during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 are set out as below:

	<i>RMB'000</i>
At January 1, 2021	88,677
Change in fair value	37,177
At December 31, 2021	<u>125,854</u>
At January 1, 2022	125,854
Conversion of 2020 Convertible Notes	(101,287)
Change in fair value	10,846
At December 31, 2022	<u>35,413</u>
At January 1, 2023	35,413
Change in fair value	11,990
Conversion of 2020 Convertible Notes	(47,403)
At December 31, 2023	<u>–</u>
(Unaudited)	
At January 1, 2023	35,413
Change in fair value	6,253
At March 31, 2023	<u>41,666</u>

(d) Commitment derivatives

The issuance of Preferred Shares to certain investors would not be consummated before they complete their registrations for overseas direct investment. The Group's commitments to its Preferred Share investors to purchase its Preferred Shares at a predetermined price commence from sign-off of corresponding investment agreements till the investors settle the applicable considerations and the register of members of the Company is correspondingly updated. Therefore, such commitments were accounted for as derivatives and recorded as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive (loss)/income. As at December 31, 2023, other than the investors who terminated their commitment agreements with the Company, all the rest of investors completed their registrations for overseas direct investment and consummated the purchase of the Preferred Shares. Hence, all the commitment derivatives were either converted to Preferred Shares or terminated as at December 31, 2023.

The movement of the Group's commitment derivatives during the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 are set out as below:

	<i>RMB'000</i>
At January 1, 2021	—
Change in fair value	28,363
Currency translation differences	(363)
At December 31, 2021	<u>28,000</u>
At January 1, 2022	<u>28,000</u>
Issuance of Series B+ Preferred Shares	(6,198)
Issuance of Series C Preferred Shares	(8,824)
Change in fair value	51,437
Currency translation differences	3,526
At December 31, 2022	<u>67,941</u>
At January 1, 2023	<u>67,941</u>
Issuance of Series B+ Preferred Shares	(71,500)
Issuance of Series C+ Preferred Shares	(296,269)
Termination of commitment	(31,020)
Change in fair value	331,195
Currency translation differences	(347)
At December 31, 2023	<u>—</u>
(Unaudited)	
At January 1, 2023	<u>67,941</u>
Change in fair value	64,411
Currency translation differences	(680)
At March 31, 2023	<u>131,672</u>

29 TRADE PAYABLES

The Group

As at December 31, 2021, 2022 and 2023 and March 31, 2024, the aging analysis of the trade payables based on transaction date are as follows:

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Up to 6 months	10,099	55,345	43,439	28,745
6 to 12 months	–	11,379	6,347	5,859
over 12 months	2,984	3,183	18,299	17,766
	<u>13,083</u>	<u>69,907</u>	<u>68,085</u>	<u>52,370</u>

The carrying amounts of trade payables are considered approximately to their fair values.

30 OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Non-current:				
Government grants (a)	28,400	29,657	34,146	2,681
Payables for purchase of software	–	–	18,548	6,069
Others	–	–	4,231	3,874
	<u>28,400</u>	<u>29,657</u>	<u>56,925</u>	<u>12,624</u>
Current:				
Payroll and welfare payables	38,678	70,829	138,231	167,141
Government grants (a)	1,200	30,377	25,632	45,982
Other taxes payable	2,450	6,162	15,577	9,432
Payables for purchase of IP	38,253	–	–	–
Payables for repurchase of ordinary shares from a shareholder (Note 25(b))	4,591	–	–	–
Government grants refund	–	–	–	12,760
Exercise price received for stock options	2,512	4,111	10,268	11,419
Payables for listing expenses	–	3,916	11,838	13,194
Payables for purchase of software	–	–	19,556	19,786
Payables for technical services	7,972	867	10,245	32,481
Payables for property, plant and equipment	–	–	–	6,407
Amount due to a related party (Note 34(b))	–	–	3,000	3,583
Others	1,116	3,959	5,179	4,192
	<u>96,772</u>	<u>120,221</u>	<u>239,526</u>	<u>326,377</u>
	<u>125,172</u>	<u>149,878</u>	<u>296,451</u>	<u>339,001</u>

- (a) Government grants provided to the Group mainly related to the financial assistance received from local governments in the PRC. When attached conditions are expected to be satisfied within one year, the Group recorded the government grants as current liabilities upon cash receipts. For government grants of which the attached conditions are expected to be satisfied over one year, the Group recorded the government grants as non-current liabilities upon cash receipts.

The Company

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Payables for repurchase of ordinary shares from a shareholder (Note 25(b))	4,591	–	–	–
Exercise price received for stock options	2,512	4,111	10,268	11,419
Payables for listing expenses	–	–	11,838	13,194
Other payables and accruals	252	–	–	–
	<u>7,355</u>	<u>4,111</u>	<u>22,106</u>	<u>24,613</u>

31 SHARE-BASED COMPENSATION

In September 2016, the Company adopted its Pre-IPO Incentive Plan (the “Pre-IPO Plan”), which permits the grant of stock options and restricted shares to the employees and directors of the Group. Under the plan, a total of no more than 156,847,868 ordinary shares of the Company were initially reserved for issuance. The stock options under the Pre-IPO Plan have a contractual term of ten years from the grant date.

During the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, the Company granted 55,465,053, 28,222,000, 36,701,100, 2,962,000 and 508,000 stock options, respectively, to the Group's employees under the Pre-IPO Plan. Provided that the personnel's service with the Company has not terminated prior to each vesting date, the vesting schedules of the share options granted are as below:

- Type (i) 25% of the total granted share options shall become vested one year from the Vesting Commencement Date and the remaining 75% vested on each month thereafter over the next three years;
- Type (ii) 1/3 of the total granted share options shall become vested one year from the Vesting Commencement Date and the remaining 2/3 vested on each month thereafter over the next two years;
- Type (iii) 50% of the total granted share options shall become vested two years from the Vesting Commencement Date and the remaining 50% vested on each year thereafter over the next two years;
- Type (iv) 50% of the total granted share options shall become vested one year from the Vesting Commencement Date and the remaining 50% vested on each month thereafter over the next year;
- Type (v) 100% of the total granted share options shall become vested one year from the Vesting Commencement Date;
- Type (vi) 100% of the total granted share options shall become vested on the Vesting Commencement Date.

The following table summarizes the Group's stock option activities:

	Number of share options	Weighted average exercise price USD
Outstanding at January 1, 2021	46,313,898	0.10
Granted	55,465,053	0.20
Forfeited	(6,561,785)	0.17
Exercised	(3,046,612)	0.04
Repurchased	(2,886,811)	0.05
Outstanding at December 31, 2021	89,283,743	0.16
Vested and exercisable as at December 31, 2021	33,627,615	0.10
Outstanding at January 1, 2022	89,283,743	0.16
Granted	28,222,000	0.56
Forfeited	(3,956,442)	0.25
Exercised	(1,958,223)	0.09
Repurchased	(1,433,988)	0.05
Outstanding at December 31, 2022	110,157,090	0.27
Vested and exercisable as at December 31, 2022	41,817,930	0.23
Outstanding at January 1, 2023	110,157,090	0.27
Granted	36,701,100	0.59
Forfeited	(1,595,761)	0.37
Exercised	(6,207,471)	0.13
Outstanding at December 31, 2023	139,054,958	0.35
Vested and exercisable as at December 31, 2023	61,902,403	0.21
(Unaudited)		
Outstanding at January 1, 2023	110,157,090	0.27
Granted	2,962,000	0.59
Forfeited	(892,424)	0.32
Exercised	(401,770)	0.10
Outstanding at March 31, 2023	111,824,896	0.22
Vested and exercisable as at March 31, 2023	46,054,766	0.18

	Number of share options	Weighted average exercise price USD
Outstanding at January 1, 2024	139,054,958	0.35
Granted	508,000	0.70
Forfeited	(1,021,023)	0.52
Cancelled	(360,000)	0.59
Exercised	(5,014,778)	0.10
Outstanding at March 31, 2024	133,167,157	0.36
Vested and exercisable as at March 31, 2024	60,835,372	0.21

The weighted-average remaining contractual life for outstanding share options was 8.5 years, 8.1 years and 7.7 years, and 7.5 years as at December 31, 2021, 2022 and 2023 and March 31 2024, respectively.

The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	Years ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
Fair value per ordinary share (USD)	1.18-2.05	2.05-3.00	3.52-3.62	3.42-3.61	3.04
Risk-free interest rates	1.66%-1.87%	1.92%-4.10%	4.05%-5.12%	3.63%-3.98%	4.32%
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	52.4%-53.8%	52.6%-54.5%	54.0%-54.3%	55.4%-56.2%	54.88%
Expected terms	10 years	10 years	10 years	10 years	10 years

The weighted-average fair value of granted share options was RMB10.99, RMB13.67, RMB25.69, RMB23.47 and RMB21.59 per share for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024, respectively.

During the years ended December 31, 2021 and 2022, the Company repurchased 2,886,811 and 1,433,988 of vested share options from its employees at the fair value as of the settlement date with the consideration of RMB36.4 million and RMB22.7 million, respectively. No incremental compensation cost was recognised. The cash settlements made to these employees were accounted for as a deduction from equity. No such transaction is expected to occur in the future.

The Group has to estimate the expected retention rate at the end of the vesting periods of the share options in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive (loss)/income. As at December 31, 2021, 2022 and 2023 and March 31 2024, the expected retention rate of the Group had been assessed to be no lower than 90%, 90%, 90% and 90%, respectively.

The share-based payment expenses have been charged to the consolidated statements of comprehensive (loss)/income for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2023 and 2024 as follows:

	Years ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Research and development expenses	44,931	156,035	222,713	46,180	53,519
Selling and marketing expenses	13,779	78,400	47,770	10,394	12,816
General and administrative expenses	53,034	105,109	150,569	24,148	46,800
	<u>111,744</u>	<u>339,544</u>	<u>421,052</u>	<u>80,722</u>	<u>113,135</u>

32 CASH FLOW INFORMATION

(a) Net cash used in operating activities

	Years ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/income before income tax	(2,356,502)	(2,753,936)	(4,855,118)	(1,106,663)	1,203,302
Adjustment for:					
Depreciation of property, plant and equipment (Note 15)	5,677	17,484	36,854	5,958	11,967
Depreciation of right-of-use assets (Note 16)	5,185	14,929	18,040	4,354	5,684
Amortisation of intangible assets (Note 17)	9,886	17,300	31,649	5,925	10,286
Provision for impairment of inventories (Note 19)	–	–	18,236	–	1,276
Loss on disposal of property, plant and equipment (Note 15)	150	679	1,482	12	–
Termination loss on right-of-use assets	–	–	265	–	–
Fair value loss/(gain) on financial instrument issued to investors (Note 28)	1,631,175	1,714,062	3,179,819	780,298	(1,636,088)
Gains on other financial assets at FVPL (Note 21)	–	(9,659)	(12,129)	(6,391)	(105)
Borrowings forgiven by US government	(6,999)	–	–	–	–
Share-based payment expenses (Notes 31)	111,744	339,544	421,052	80,722	113,135
Interest income (Note 11)	(66)	(461)	(514)	(126)	(133)
Interest expenses (Note 11)	2,386	2,668	3,377	755	1,168
Foreign exchange losses – net (Note 10)	1,408	18,620	15,113	1,341	866
Net impairment losses on financial assets (Note 3.1(b))	1,844	8,484	9,412	1,882	5,547
Share of net loss of associates accounted for using the equity method (Note 18)	722	987	1,441	248	1,961

	Years ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Changes in working capital:					
Increase in inventories	(3,220)	(69,600)	(16,839)	(41,096)	(11,666)
(Increase)/decrease in trade and notes receivables	(15,915)	(84,244)	(49,130)	(7,101)	15,530
(Increase)/decrease in prepayments, deposits and other assets	(77,175)	(60,906)	39,190	30,021	(38,062)
Increase in contract liabilities	251	5,408	1,819	110	1,980
Increase/(decrease) in trade payables	1,515	56,824	(1,822)	(1,218)	(15,715)
Increase/(decrease) in other payables and accruals	48,619	27,148	99,978	(19,570)	47,144
	<u>48,619</u>	<u>27,148</u>	<u>99,978</u>	<u>(19,570)</u>	<u>47,144</u>
Net cash used in operating activities	<u>(639,315)</u>	<u>(754,669)</u>	<u>(1,057,825)</u>	<u>(270,539)</u>	<u>(281,923)</u>

(b) Non-cash investing and financing activities

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Acquisition of right-of-use assets (Note 16)	9,928	36,414	40,535	–	9,411
Conversion of 2020 Convertible Notes (Note 28(c))	–	101,287	47,403	–	–
Payables for purchase of intangible assets (Note 30)	–	–	38,104	–	–
Prepayments for purchase of property, plant and equipment	–	–	–	20,491	–
Payables for purchase of property, plant and equipment (Note 30)	–	–	–	–	6,407
Borrowings and interests forgiven by US government (Note 9(b))	6,999	–	–	–	–
	<u>6,999</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(c) Net debt

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cash and cash equivalents	1,553,419	982,229	1,298,412	1,053,511
Financial assets at fair value through profit or loss (Note 21)	–	706,462	28,989	29,144
Financial instruments issued to investors (Note 28)	(5,249,949)	(8,386,402)	(12,589,493)	(10,977,065)
Lease liabilities (Note 16)	(11,576)	(34,635)	(52,448)	(54,671)
Borrowings (Note 27)	(26,290)	(12,581)	–	(67,861)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net debt	<u>(3,734,396)</u>	<u>(6,744,927)</u>	<u>(11,314,540)</u>	<u>(10,016,942)</u>

(d) Reconciliation of liabilities from financing activities

	Financial instruments issued to investors (Note 28)	Lease liabilities (Note 16)	Borrowings (Note 27)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2021	1,590,929	6,992	41,224	1,639,145
Cash flows	2,097,834	(5,740)	(9,806)	2,082,288
New leases	–	9,928	–	9,928
Fair value changes	1,642,905	–	–	1,642,905
Interest expenses	–	515	1,871	2,386
Borrowings forgiven by US government	–	–	(6,999)	(6,999)
Foreign exchange	(81,719)	(119)	–	(81,838)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2021	<u>5,249,949</u>	<u>11,576</u>	<u>26,290</u>	<u>5,287,815</u>
As at January 1, 2022	5,249,949	11,576	26,290	5,287,815
Cash flows	860,049	(15,258)	(14,898)	829,893
New leases	–	36,414	–	36,414
Fair value changes	1,724,176	–	–	1,724,176
Interest expenses	–	1,479	1,189	2,668
Foreign exchange	552,228	424	–	552,652
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2022	<u>8,386,402</u>	<u>34,635</u>	<u>12,581</u>	<u>8,433,618</u>
As at January 1, 2023	8,386,402	34,635	12,581	8,433,618
Cash flows	835,721	(18,132)	(12,892)	804,697
New leases	–	40,535	–	40,535
Fair value changes	3,215,862	–	–	3,215,862
Interest expenses	–	1,817	311	2,128
Lease disposal	–	(6,534)	–	(6,534)
Termination of commitment	(31,020)	–	–	(31,020)
Foreign exchange	182,528	127	–	182,655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at December 31, 2023	<u>12,589,493</u>	<u>52,448</u>	<u>–</u>	<u>12,641,941</u>

	Financial instruments issued to investors (Note 28) RMB'000	Lease liabilities (Note 16) RMB'000	Borrowings (Note 27) RMB'000	Total RMB'000
(Unaudited)				
As at January 1, 2023	8,386,402	34,635	12,581	8,433,618
Cash flows	–	(3,942)	(3,598)	(7,540)
Fair value changes	784,238	–	–	784,238
Interest expenses	–	469	177	646
Foreign exchange	(108,172)	(41)	–	(108,213)
	<u>9,062,468</u>	<u>31,121</u>	<u>9,160</u>	<u>9,102,749</u>
As at March 31, 2023	<u>9,062,468</u>	<u>31,121</u>	<u>9,160</u>	<u>9,102,749</u>
As at January 1, 2024	12,589,493	52,448	–	12,641,941
Cash flows	–	(7,845)	67,795	59,950
New leases	–	9,411	–	9,411
Fair value changes	(1,638,747)	–	–	(1,638,747)
Interest expenses	–	713	66	779
Foreign exchange	26,319	(56)	–	26,263
	<u>10,977,065</u>	<u>54,671</u>	<u>67,861</u>	<u>11,099,597</u>
As at March 31, 2024	<u>10,977,065</u>	<u>54,671</u>	<u>67,861</u>	<u>11,099,597</u>

33 COMMITMENTS

The Group did not have any material commitments as at March 31, 2024.

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related party during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship of related parties

Name of related parties	Relationship with the Group
Mairun Intelligent Technology (Shanghai) Co., Ltd.	Associate
Guoqi Pujin Intelligent Technology (Anqing) Co., Ltd.	Associate
Lingtong Technology (Shanghai) Co., Ltd.	Associate

(b) Transactions with related parties

(i) Revenue from a related party (Trade nature)

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
Autonomous Driving Products and Solutions - Guoqi	—	—	119	—	—

(ii) Research and development expenses from a related party (Non-trade nature)

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
Design and development expenses – Lingtong	—	—	6,000	—	583

(c) Year end balances with related parties

(i) Amounts due from a related party (Non-trade nature)

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Interest free loan due from Mairun	5,900	—	—	—

(ii) Amounts due to a related party (Non-trade nature)

	As at December 31,			As at
	2021	2022	2023	March 31,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Other payables and accruals for technical services provided by Lingtong	—	—	3,000	3,583

(d) Key management personnel compensation

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	7,395	6,550	7,748	1,459	1,493
Share-based compensation expenses	70,377	142,290	188,007	37,113	56,877
Pension obligations, housing funds, medical insurances and other social insurances	465	501	673	167	183
	<u>78,237</u>	<u>149,341</u>	<u>196,428</u>	<u>38,739</u>	<u>58,553</u>

35 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at December 31, 2021, 2022 and 2023 and March 31, 2024.

36 DIVIDEND

No dividend has been paid or declared by the Company or subsidiaries of the Company during the Track Record Period and up to date of this report.

37 SUBSEQUENT EVENTS

Save as disclosed in Note 27(c), Note 27(d) and Note 28(a) under section "Subsequent amendments to the key terms of the Preferred Shares", there were no other significant events that might adversely affect the Group after March 31, 2024 and up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2024 and up to the date of this report.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountant's Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of March 31, 2024 as if the Global Offering had taken place on March 31, 2024.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2024 or at any future dates following the Global Offering.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at March 31, 2024 <i>(Note 1)</i> RMB'000	Estimated net proceeds from the Global Offering <i>(Note 3)</i> RMB'000	Estimated impact related to the conversion of the Preferred Shares from liabilities to equity upon the completion of Global Offering <i>(Note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at March 31, 2024 RMB'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 4)</i> RMB	<i>(Note 5)</i> HK\$
Based on an Offer Price of HK\$28.0 per Share	(9,864,892)	898,670	10,977,065	2,010,843	3.53	3.87
Based on an Offer Price of HK\$30.3 per Share	(9,864,892)	974,190	10,977,065	2,086,363	3.67	4.02

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at March 31, 2024 is extracted from the Accountant's Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at March 31, 2024 of RMB9,798,095,000 with adjustments for the intangible assets as at March 31, 2024 of RMB66,797,000.
- (2) Upon the completion of the Global Offering, all the Preferred Shares will be automatically converted into Shares of the Company. These Preferred Shares will be re-designated from liabilities to equity upon conversion. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by approximately RMB10,977,065,000, being the carrying amounts of the Preferred Shares, as at March 31, 2024.
- (3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$28.0 and HK\$30.3 per Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB36,504,000 which have been accounted for in the Group's consolidated statements of comprehensive (loss)/income up to March 31, 2024) accrued by the Company and has not taken into account of any Shares that may further be issued upon the exercise of the Offer Size Adjustment Option or the Over-allotment Option or under the Share Plans and any Shares that may be issued or repurchased by the Company under the general mandate granted to the Directors as set out in the section headed "Share Capital" in this Prospectus.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note (2) and (3) above and on the basis that 569,169,253 Shares were in issue assuming that (a) the Global Offering had been completed on March 31, 2024; (b) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering after considering the subsequent amendments to the key terms of the Preferred Shares according to the written resolutions passed by the shareholders on July 26, 2024; and (c) has not taken into account of any Shares that may further be issued upon the exercise of the Offer Size Adjustment Option or the Over-allotment Option or under the Share Plans and any Shares that may be issued or repurchased by the Company under the general mandate granted to the Directors as set out in the section headed "Share Capital" in this Prospectus.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB0.9133 to HK\$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, and the subsequent amendments to the key terms of the Preferred Shares according to the written resolutions passed by the shareholders on July 26, 2024, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2024.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Black Sesame International Holding Limited.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Black Sesame International Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at March 31, 2024 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated July 31, 2024, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at March 31, 2024 as if the proposed initial public offering had taken place at March 31, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three months ended March 31, 2024, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (“HKSQM”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at March 31, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, July 31, 2024

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on July 26, 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed “Documents available on display”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on July 26, 2024 and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than two-thirds in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been

duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member’s behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members 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 requisitionists 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 requisitionists. 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

requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, 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. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 *Accounts and audit*

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 *Auditors*

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and

- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 July 2016 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands on July 15, 2016 as an exempted company with limited liability. Our registered office address is at the offices of Vistra (Cayman) Limited, P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 – 1205 Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this Prospectus.

We have established our principal place of business in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 10, 2023 under the same address. Ms. Kwok Siu Ying Sarah (郭兆瑩) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

As of the date of this Prospectus, our Company’s head office was located at 32nd floor, Shenzhen State Investment Center, 1278 Heping Avenue, Qingshan District, Wuhan.

2. Changes in Share Capital

On July 15, 2016, our Company was incorporated with an authorized share capital of US\$50,000.00 divided into 500,000,000 shares of a par value of US\$0.0001 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this Prospectus:

- (a) On June 28, 2023, the Company completed issuance of 1,648,482 Series B-4 Preferred Shares of par value US\$0.0001 each to FulScience Automotive Electronics Co., Ltd. (富賽汽車電子有限公司).

- (b) On June 28, 2023, the Company completed issuance of an aggregate of 5,422,993 Series B+ Preferred Shares of par value US\$0.0001 each to the following shareholders:

Shareholders	Date on which Series B+ Preferred Shares were Issued	Number of Series B+ Preferred Shares Issued
Xin Zhi Feng (Wuhan) Private Equity Partnership (LP) (信之風(武漢)股權投資基金合夥企業(有限合夥))	June 28, 2023	4,171,533
Boyuan Black Sesame Holdings Limited	June 28, 2023	1,251,460
Total		<u><u>5,422,993</u></u>

- (c) On June 28, 2023, the Company completed issuance of an aggregate of 33,779,953 Series C+ Preferred Shares of par value US\$0.0001 each to the following shareholders:

Shareholders	Date on which Series C+ Preferred Shares were Issued	Number of Series C+ Preferred Shares Issued
Shanghai Jixin Enterprise Management Limited Partnership (上海極芯企業管理合夥企業(有限合夥))	June 28, 2023	22,519,968
Shanghai Jisheng Enterprise Management Consulting Partnership (Limited Partnership) (上海霽盛企業管理諮詢合夥企業(有限合夥))	June 28, 2023	4,503,994
Beijing Xingtou Youxuan Venture Capital Fund (Limited Partnership) (北京興投優選創業投資基金(有限合夥))	June 28, 2023	4,503,994
Yangzi Xinhui Artificial Intelligence Investment Corporation (L.P.) (深圳揚子鑫慧人工智能投資企業(有限合夥))	June 28, 2023	2,251,997
Total		<u><u>33,779,953</u></u>

For more details, please refer to the section headed “History and Corporate Structure”. Save as disclosed above, there has been no alteration in the authorized or issued share capital of our Company during the two years immediately preceding the date of this Prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our principal subsidiaries are set out in note 14 to the Accountant's Report as set out in Appendix I to this Prospectus.

The following sets out the changes in the share capital of our subsidiaries that made a material contribution to our results of operations during the two years immediately preceding the date of this Prospectus. For details of our major subsidiaries, see "History and Corporate Structure – Our Major Subsidiaries."

Black Sesame Wuhan

On September 20, 2022, the registered capital of Black Sesame Wuhan was increased from US\$80,000,000 to US\$150,000,000.

On May 23, 2023, the registered capital of Black Sesame Wuhan was increased from US\$150,000,000 to US\$200,000,000.

Black Sesame Shanghai

On June 2, 2023, the registered capital of Black Sesame Shanghai was increased from US\$60,000,000 to US\$90,000,000.

Black Sesame Chongqing

On March 10, 2023, the registered capital of Black Sesame Chongqing was increased from RMB100,000,000 to RMB120,000,000.

Black Sesame Shenzhen

On January 16, 2023, the registered capital of Black Sesame Shenzhen was increased from RMB50,000,000 to RMB120,000,000.

Black Sesame Chengdu

On December 19, 2022, the registered capital of Black Sesame Chengdu was increased from RMB50,000,000 to RMB140,000,000.

Black Sesame Singapore

On February 29, 2024, the registered capital of Black Sesame Singapore was increased from SGD19,368,000 to SGD26,053,500.

Save as set out above, there has been no alteration in the registered capital of our subsidiaries during the two years immediately preceding the date of this Prospectus.

4. Resolutions of the Shareholders of Our Company dated July 26, 2024

Resolutions were passed by our Shareholders on July 26, 2024, pursuant to which, among other things:

- (1) the Memorandum and Articles of Association were conditionally approved and adopted upon the completion of the Global Offering;
- (2) conditional on: (a) the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus; (b) the Offer Price being duly determined among our Company and the Joint Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters); and (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the dates as may be specified in the Underwriting Agreements:
 - (a) each of the issued and unissued Preferred Shares would be converted into one Share of a par value US\$0.0001 each by re-designation and re-classification;
 - (b) the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;
 - (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option;

- (d) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering, excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option; and
- (e) the Repurchase Mandate was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Each of the general mandates referred to in sub-paragraphs (c), (d), and (e) above will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- (iii) the time when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting of the company duly convened and held, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on July 26, 2024, the Repurchase Mandate was given to our Directors authorizing them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association, and (iii) the date when it is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, the par value of any Shares repurchased by us may be provided for out of our profits, out of share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or, if so authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not make a new issue of securities or announce a proposed new issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase), without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that any broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the company as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all securities which are repurchased by a listed company (whether on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase and the certificates of those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the aggregate nominal or par value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands law.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his/her/its securities to the company on the Stock Exchange.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Funding of repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 569,169,253 Shares in issue immediately following the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans) could accordingly result in up to approximately 56,916,925 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the time when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances. Our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material:

- (1) the cornerstone investment agreement dated July 26, 2024 entered into among our Company, Gardex Development Limited, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited pursuant to which Gardex Development Limited agreed to subscribe for such number of Shares of our Company at the Offer Price in an aggregate amount of RMB50 million (including brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company);
- (2) the cornerstone investment agreement dated July 29, 2024 entered into among our Company, Joyson Electronic USA LLC, China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited pursuant to which Joyson Electronic USA LLC agreed to subscribe for such number

of Shares of our Company at the Offer Price in an aggregate amount of US\$3 million (excluding brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such number of Shares of our Company); and




(3) the Hong Kong Underwriting Agreement.






2. Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks



As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:





No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
1.		Black Sesame Wuhan	7, 9, 12, 35, 38, 39 and 42	PRC	54299682	May 28, 2022	May 27, 2032
2.		Black Sesame Shanghai	6, 7, 9, 10, 11, 12, 28, 35, 37, 39	PRC	47602037	March 21, 2021	March 20, 2031
3.	三颗芝麻	Black Sesame Shanghai	6, 7, 9, 10, 11, 12, 28, 37 and 39	PRC	47602041	March 14, 2021	March 13, 2031
4.	黑芝麻	Black Sesame Wuhan	7 and 12	PRC	51108625	October 14, 2021	October 13, 2031
5.	黑芝麻	Black Sesame Wuhan	9	PRC	57211086	February 21, 2022	February 20, 2032
6.	黑芝麻	Black Sesame Wuhan	9	PRC	62875061	November 28, 2022	November 27, 2032
7.		Black Sesame Shanghai	7 9 35 38 39 41 42	PRC	55658127 55680083 55662331 55684063 55667145 55685941 55650611	November 14, 2021	November 13, 2031





No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date		
8.		Black Sesame Shanghai	7	PRC	55676226	November 14, 2021	November 13, 2031		
			9		55685244				
			35		55646687				
			38		55670160				
			39		55673383				
			41		55658163				
			42		55677821				
9.		Black Sesame Shanghai	7	PRC	55664110	November 14, 2021	November 13, 2031		
			9		55672804			January 21, 2022	January 20, 2032
			35		55646690			January 7, 2022	January 6, 2032
			38		55673277			November 14, 2021	November 13, 2031
			39		55656710			April 28, 2021	January 6, 2032
			41		55652566			November 14, 2021	November 13, 2031
			42		55647623			April 28, 2021	January 6, 2032
10.		Black Sesame Wuhan	7	PRC	57200788	March 14, 2022	March 13, 2032		
			9		57216357				
			35		57199688			March 7, 2022	March 6, 2032
			37		57201150			December 28, 2021	December 27, 2031
			39		57193795				
11.		Black Sesame Wuhan	7	PRC	57194236	July 14, 2022	July 13, 2032		
			9		57195605			March 7, 2022	March 6, 2032
			35		57199361				
			37		57226865			January 14, 2022	January 13, 2032
			39		57202412			December 28, 2021	December 27, 2031
12.		Black Sesame Wuhan	7	PRC	57222730	December 28, 2021	December 27, 2031		
			9		57191294				
			12		57196872				
			35		57199705				
			37		57196730				
			38		57223173				
			39		57197756				
			41		57189671				
42	57217664								



No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
13.	黑芝麻智能 BLACK SESAME TECHNOLOGIES	Black Sesame	7	PRC	57200960A	March 7, 2022	March 6, 2032
			Wuhan		7	57200960	June 14, 2022
			9		62858533	December 7, 2022	December 6, 2032
			12		57192849	November 7, 2022	November 6, 2032
			37		57221238	February 21, 2022	February 20, 2032
			39		57191097	December 28, 2021	December 27, 2031
			42		57226529	February 21, 2022	February 20, 2032
14.	黑芝麻	Black Sesame	7	PRC	57198418	December 28, 2021	December 27, 2031
			Wuhan		9	57219650	
			12		57196801		
			35		57199336	February 28, 2022	February 27, 2032
			37		57215265	December 28, 2021	December 27, 2031
			38		57202735		
			39		57226298		
15.	黑智码	Black Sesame	7	PRC	57205319	December 28, 2021	December 27, 2031
			Wuhan		9	57223796	February 21, 2022
			12		57220038	December 28, 2021	December 27, 2031
			37		57209197		
			38		57213243		
			39		57209314		
			41		57212487		

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
16.	BLACK SESAME	Black Sesame Wuhan	7	PRC	57211191A	March 7, 2022	March 6, 2032
			7		57211191	June 14, 2022	June 13, 2032
			9		37478869	February 21, 2020	February 20, 2030
			9		62870287	December 7, 2022	December 6, 2032
			12		57220055	November 7, 2022	November 6, 2032
			35		57190980	December 28, 2021	December 27, 2031
			37		57203003		
			39		57193752		
			42		57225334		
17.	BLACK SESAME TECHNOLOGIES	Black Sesame Wuhan	7	PRC	57218078A	March 7, 2022	March 6, 2032
			7		57218078	June 14, 2022	June 13, 2032
			9		62850224	December 7, 2022	December 6, 2032
			12		57205851	November 7, 2022	November 6, 2032
			35		57196923	December 28, 2021	December 27, 2031
			37		57200505		
			39		57222059		
			42		57192269		
18.	黑芝麻智能	Black Sesame Wuhan	9	PRC	57211096	February 21, 2022	February 20, 2032
			9		62853566	December 7, 2022	December 6, 2032
19.	黑芝麻智能科技	Black Sesame Wuhan	9	PRC	57189984	February 21, 2022	February 20, 2032
			9		62845654	November 28, 2022	November 27, 2032
20.	黑芝麻华山	Black Sesame Wuhan	9	PRC	58930792	February 28, 2022	February 27, 2032
			12		58937431		
			42		58930829		
21.	黑芝麻山海	Black Sesame Wuhan	9	PRC	58921917	February 28, 2022	February 27, 2032
			12		58919715		
			42		58919710		
22.	NeurallQ ISP	Black Sesame Wuhan	9	PRC	58933833	February 28, 2022	February 27, 2032
			12		58925038		
			42		58921337		
23.	DynamAI NN	Black Sesame Wuhan	9	PRC	58913564	February 21, 2022	February 20, 2032
			11		58932349		
			42		58932346		

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
24.	SpecrVU CV	Black Sesame Wuhan	9	PRC	58939029	February 28, 2022	February 27, 2032
			12		58937800	February 21, 2022	February 20, 2032
			42		58927708	February 28, 2022	February 27, 2032
25.		Black Sesame Chengdu	9	PRC	61306803	June 14, 2022	June 13, 2032
			12		61301355	June 7, 2022	June 6, 2032
			42		61314731		
26.		Black Sesame Chengdu	7	PRC	63123148	September 14, 2022	September 13, 2032
			9		63135809		
			35		63121537		
			38		63131377		
			39		63135826		
			41		63121555		
			42		63126366	November 21, 2022	November 20, 2032
27.	黑芝麻智能华山	Black Sesame Chengdu	7	PRC	63154145	September 14, 2022	September 13, 2032
			9		63165703		
			35		63156502		
			38		63165538		
			39		63151146		
			41		63161487		
28.	黑芝麻智能山海	Black Sesame Chengdu	7	PRC	63130537	September 14, 2022	September 13, 2032
			9		63133389		
			35		63134955		
			38		63134965		
			39		63127735	September 21, 2022	September 20, 2032
			41		63134984	September 14, 2022	September 13, 2032
29.	华山	Black Sesame Wuhan	41	PRC	63171660	November 28, 2022	November 27, 2032
30.	山海	Black Sesame Wuhan	7	PRC	63140759	November 14, 2022	November 13, 2032

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
31.	黑芝麻智能瀚海	Black Sesame Wuhan	7	PRC	64775172	November 7, 2022	November 6, 2032
			9		64762164		
			12		64778253		
			35		64756270		
			37		64764513		
			38		64770593		
			39		64758724		
			41		64773257		
			42		64756314		
			32.				
33.	黑芝麻智能华山	Black Sesame Wuhan	12	PRC	68006767	May 28, 2023	May 27, 2033
34.	黑芝麻智能山海	Black Sesame Wuhan	12	PRC	68016914	June 7, 2023	June 6, 2033
35.		Black Sesame Wuhan	7	PRC	68785922	August 14, 2023	August 13, 2033
			35		68794082	November 14, 2023	November 13, 2033
			39		68792779	July 28, 2023	July 27, 2033
36.		Black Sesame Wuhan	7	PRC	68801666	July 28, 2023	July 27, 2033
			35		68800092	September 7, 2023	September 6, 2033
			37		68791505	August 7, 2023	August 6, 2033
37.	黑芝麻智能武当	Black Sesame Wuhan	7	PRC	70337770	October 14, 2023	October 13, 2033
			9		70328367	October 7, 2023	October 6, 2033
			12		70328386	September 28, 2023	September 27, 2033
			35		70328404	October 14, 2023	October 13, 2033
			37		70344779	2023	2033
			38		70342738		
			39		70344820		
38.		Black Sesame US	9 and 42	United States	6247064	January 12, 2021	January 12, 2031

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date							
39.		Black Sesame Wuhan	7	Hong Kong	306097753	November 3, 2022	November 2, 2032							
			9											
			12											
			35											
			37											
			38											
			39											
			41											
			42											
			40.						Black Sesame Wuhan	7	Hong Kong	306097771	November 3, 2022	November 2, 2032
										9				
12														
35														
37														
38														
39														
41														
42														
41.		Black Sesame Wuhan		7	Hong Kong	306097780	November 3, 2022			November 2, 2032				
				9										
			12											
			35											
			37											
			38											
			39											
			41											
			42											
			42.					Black Sesame Wuhan	7		Hong Kong	306097799	November 3, 2022	November 2, 2032
									9					
12														
35														
37														
38														
39														
41														
42														

No.	Trademark	Registered owner	Class(es)	Place of registration	Registered number	Registration date	Expiry date
43.		Black Sesame Wuhan	7 9 12 35 37 38 39 41 42	Hong Kong	306097834	November 3, 2022	November 2, 2032
44.		Black Sesame Wuhan	7 9 12 35 37 38 39 41 42	Hong Kong	306097843	November 3, 2022	November 2, 2032

(b) Patents

For details of our patents which we consider to be or may be material to our business, see “Business – Intellectual Property Rights”.

(c) Copyrights

For details of our software copyrights which we consider to be or may be material to our business, see “Business – Intellectual Property Rights”.

3. Domain Names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1.	blacksesame.com.cn	Black Sesame Wuhan	September 23, 2016	September 23, 2027
2.	bstai.top	Black Sesame Shanghai	November 28, 2018	November 28, 2025
3.	bst-ai.com	Black Sesame Wuhan	August 11, 2022	August 11, 2025
4.	blacksesame.com	Black Sesame US	May 10, 2011	May 10, 2026
5.	blacksesametech.com	Black Sesame US	July 5, 2016	July 5, 2025
6.	blacksesametech.net	Black Sesame US	July 5, 2016	July 5, 2025
7.	blacksesametech.org	Black Sesame US	July 5, 2016	July 5, 2025
8.	blacksesametech.info	Black Sesame US	July 5, 2016	July 5, 2025
9.	bsti.co	Black Sesame US	July 24, 2017	July 23, 2024
10.	blacksesame.ai	Black Sesame US	May 11, 2019	May 11, 2031
11.	bst.ai	Black Sesame US	May 11, 2019	May 11, 2031
12.	bsti.ai	Black Sesame US	May 11, 2019	May 11, 2031
13.	marautec.ai	Black Sesame US	March 14, 2020	March 14, 2032

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), so far as our Directors are aware, none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

(i) Interest in Shares of our Company

Name of Director	Nature of interest ⁽¹⁾	Number of securities immediately after the Global Offering	Approximate percentage of interest in our Company immediately after the Global Offering ⁽¹¹⁾
Mr. Shan	Beneficial interest ⁽²⁾	45,000,000	7.91%
	Beneficial interest ⁽³⁾	44,100,000	7.75%
	Others ⁽⁴⁾⁽⁵⁾⁽⁶⁾	79,276,415	13.93%
	Deemed interest ⁽⁷⁾	8,300,160	1.46%
Mr. Liu	Beneficial interest ⁽⁸⁾	9,891,667	1.74%
	Interest in controlled corporations ⁽⁹⁾	14,700,000	2.58%
Mr. Zeng Daibing	Beneficial interest ⁽¹⁰⁾	6,460,000	1.13%

Notes:

- (1) All interests stated are long position.
- (2) As of the Latest Practicable Date, Mr. Shan has been granted Options to subscribe for an aggregate of 45,000,000 Shares under the Pre-IPO Share Plan.
- (3) Mr. Shan directly holds 44,100,000 Shares in our Company.
- (4) Pursuant to the respective voting trust agreements entered into by and among Mr. Shan, Mr. Liu, Ms. Pan, Ms. Wang, Mr. Xiong Chengyu and Mr. Gu Qun dated September 19, 2016, August 24, 2020, January 31, 2023 and January 29, 2024 (the “**Voting Trust Agreements**”), Mr. Shan shall be, at his sole discretion, entitled to exercise the voting rights attached to all Shares held by Ruby Wealth, New Key Trade, Ms. Pan, Mr. Xiong Chengyu, Mr. Gu Qun and Marvel Stars. The Voting Trust Agreements shall continue to be effective following completion of the Global Offering. Mr. Shan is Ms. Pan’s spouse and is hence also deemed to be interested in the 8,300,160 Shares of our Company held by Ms. Pan. Mr. Shan is therefore deemed to be interested in the total of 32,400,000 Shares held by Ruby Wealth, New Key Trade, Ms. Pan, Mr. Xiong Chengyu, Mr. Gu Qun and Marvel Stars pursuant to the Voting Trust Agreements (including the 8,300,160 Shares held by Ms. Pan in which Mr. Shan is deemed to be interested as Ms. Pan’s spouse). For details, see “History and Corporate Structure – Our Voting Rights Structure” in this Prospectus.
- (5) Excellent Ocean Trust is a trust with an independent professional trustee to manage the options granted to 12 grantees under the Pre-IPO Share Plan. Mr. Shan shall be entitled to exercise the voting rights attached to all Shares held by Excellent Ocean Trust at its sole discretion. For details of our voting rights structure, see “History and Corporate Structure – Our Voting Rights Structure”.
- (6) Mr. Shan shall be entitled to exercise the voting rights attached to the 22,689,107 Shares held by the 88 employees of the Group at its sole discretion. For details of our voting rights structure, see “History and Corporate Structure – Our Voting Rights Structure”.
- (7) Ms. Pan directly holds 8,300,160 Shares in our Company. Mr. Shan and Ms. Pan are spouses. Therefore, Mr. Shan is deemed to be interested in Ms. Pan’s interest.
- (8) As of the Latest Practicable Date, Mr. Liu has been granted Options to subscribe for an aggregate of 9,891,667 Shares under the Pre-IPO Share Plan.

- (9) Ruby Wealth and New Key Trade are controlled by Mr. Liu. Mr. Liu is therefore deemed to be interested in the 14,700,000 Shares held through Ruby Wealth and New Key Trade.
- (10) As of the Latest Practicable Date, Mr. Zeng Daibing has been granted Options to subscribe for an aggregate of 6,460,000 Shares under the Pre-IPO Share Plan.
- (11) The table above is calculated on the basis that the total of 569,169,253 Shares will be in issue immediately after completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) all Preferred Shares have been converted into the Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account of any Shares that may further be issued under the Share Plans).

2. Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “Substantial Shareholders” in this Prospectus.

Save as set out above, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. Directors’ Service Contracts and Appointment Letters

Executive Directors

Each of our executive Directors has entered into a service contract with our Company. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date on which dealings in shares of the Company commence on the Stock Exchange. Either party has the right to give not less than three months’ written notice to terminate the agreement. Details of the Company’s remuneration policy is described in “Directors and Senior Management – Remuneration of Our Directors and Senior Management” in this Prospectus.

Non-executive Directors

Each of our non-executive Directors has entered into an appointment letter with our Company. Their appointment as a Director shall continue for a term of three years commencing from the date on which dealings in shares of the Company commence on the Stock Exchange. Either party may give to the other not less than three months' prior notice in writing to terminate the agreement. Under the appointment letter, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Director.

Independent Non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of this Prospectus until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. Directors' Remuneration

The remuneration of our Directors is paid in the form of fees, wages and salaries, discretionary bonuses, social security costs, housing benefits and employee welfare and share-based compensation. The aggregate amount of remuneration (including fees, wages and salaries, discretionary bonuses, social security costs, housing benefits and employee welfare and share-based compensation) of our Directors for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 was RMB64.2 million, RMB124.0 million, RMB185.0 million and RMB55.6 million, respectively.

Under the arrangement currently in force, the total remuneration (including fees, wages and salaries, discretionary bonuses, social security costs, housing benefits and employee welfare and share-based compensation) payable to our Directors for the year ending December 31, 2024 is estimated to be RMB160 million.

5. Disclaimers

- (a) None of the Directors or the experts named in “– E. Other Information – 8. Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) No commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Prospectus.
- (c) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Group taken as a whole.

D. SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Plan

(a) Summary

The following is a summary of the principal terms of the share plan of our Company as approved by the Board on September 7, 2016 and amended on December 31, 2021 and from time to time (the “**Pre-IPO Share Plan**”). The terms of the Pre-IPO Share Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Plan will not involve the grant of options by our Company upon our Listing. Terms defined and used under this sub-section headed “Pre-IPO Share Plan” shall apply to this sub-section only.

(b) Purpose

The purpose of the Pre-IPO Share Plan is to offer persons selected by our Company an opportunity to acquire a proprietary interest in the success of our Company, or to increase such interest, by acquiring Shares.

(c) Administration

The Pre-IPO Share Plan may be administered by one or more committees of the Board of Directors (the “**Committee**”). Each Committee shall consist, as required by applicable law, of one or more members of the Board of Directors who have been appointed by the Board of Directors. Each Committee shall have such authority and be responsible for such functions as the Board of Directors has assigned to it. If no Committee has been appointed, the entire Board of Directors shall administer the Pre-IPO Share Plan.

Subject to the provisions of the Pre-IPO Share Plan, the Board of Directors shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Pre-IPO Share Plan.

All decisions, interpretations and other actions of the Board of Directors shall be final and binding on all persons to whom the Board of Directors has offered the right to purchase Shares under the Pre-IPO Share Plan (“**Purchasers**”, each a “**Purchaser**”), all persons who holds an option that qualifies as an incentive stock option (“**ISO**”) as described in Section 422(b) of U.S. Internal Revenue Code of 1986, as amended (“**Code**”) or an option that does not qualify as an incentive stock option as described in Code Section 422(b) or 423(b) (“**Nonstatutory Option**”) granted under the Pre-IPO Share Plan and entitling the holder to purchase Shares (“**Optionees**”, each an “**Optionee**”) and all persons deriving their rights from a Purchaser or Optionee.

(d) Eligibility

Only (i) individuals who are common-law employees of the Group (“**Employees**”, each an “**Employee**”), (ii) members of the Board of Directors who are not an Employee (“**Outside Directors**”) and (iii) a person, excluding Employees and Outside Directors, who performs bona fide services for the Group as a consultant or advisor (“**Consultants**”) shall be eligible for the grant of Nonstatutory Options, bookkeeping entries representing the equivalent of Shares (“**Restricted Share Units**”) or the direct award or sale of Shares. Only Employees shall be eligible for the grant of ISOs.

A person who owns more than 10% of the total combined voting power of all classes of outstanding shares of our Group shall not be eligible for the grant of an ISO unless (i) the amount for which one Share may be purchased upon exercise of an Option (“**Exercise Price**”) is at least 110% of the fair market value of a Share, as determined by the Board of Directors in good faith (“**Fair Market Value**”), of a Share on the date of grant specified in the applicable Share Option Agreement (“**Date of Grant**”) (but in no event less than the par value per Share), and (ii) such ISO by its terms is not exercisable after the expiration of five years from the Date of Grant.

(e) Shares Subject to the Pre-IPO Share Plan

Not more than 156,847,868 Shares may be issued under the Pre-IPO Share Plan, representing approximately 29.47% of the issued share capital of our Company as of the Latest Practicable Date, subject to any adjust of Shares pursuant to the Pre-IPO Share Plan.

All of these Shares may be issued upon the exercise of ISOs. The number of Shares that are subject to Options, Restricted Share Units or other rights outstanding at any time under the Pre-IPO Share Plan may not exceed the number of Shares that then remain available for issuance under the Pre-IPO Share Plan. Our Company, during the term of the Pre-IPO Share Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Pre-IPO Share Plan. Shares offered under the Pre-IPO Share Plan may be authorized but unissued Shares or treasury Shares.

In the event that Shares previously issued under the Pre-IPO Share Plan are reacquired by our Company, such Shares shall be added to the number of Shares then available for issuance under the Pre-IPO Share Plan. In the event that Shares that otherwise would have been issuable under the Pre-IPO Share Plan are withheld by our Company in payment of the Purchase Price (as defined below), Exercise Price (as defined below) or withholding taxes, such Shares shall remain available for issuance under the Pre-IPO Share Plan. In the event that an outstanding Option or other right for any reason expires or is canceled, the Shares allocable to the unexercised portion of such Option or other right shall be added to the number of Shares then available for issuance under the Pre-IPO Share Plan.

(f) Terms and Conditions of Awards or Sales

(i) Grant or Purchase Agreement

Each award of Shares under the Pre-IPO Share Plan shall be evidenced by an agreement between our Company and a person whom the Board of Directors has awarded Shares under the Pre-IPO Share Plan (“**Grantee**”) that contains the terms, conditions and restrictions pertaining to the award of such Shares (“**Share Grant Agreement**”). Each sale of Shares under the Pre-IPO Share Plan (other than upon exercise of an ISO or Nonstatutory Option granted under the Pre-IPO Share Plan (“**Option**”)) shall be evidenced by an agreement between our Company and a person whom the Board of Directors has offered the right to purchase Shares under the Pre-IPO Share Plan (“**Purchaser**”) that contains the terms, conditions and restrictions pertaining to the purchase of such Shares. (“**Share Purchase Agreement**”).

Such award or sale of Shares under the Pre-IPO Share Plan shall be subject to all applicable terms and conditions of the Pre-IPO Share Plan and may be subject to any other terms and conditions which are not inconsistent with the Pre-IPO Share Plan and which the Board of Directors deems appropriate for inclusion in a Share Grant Agreement or Share Purchase Agreement. The provisions of the various Share Grant Agreements and Share Purchase Agreements entered into under the Pre-IPO Share Plan need not be identical.

(ii) Duration of Offers and Nontransferability of Rights

Any right to purchase Shares under the Pre-IPO Share Plan (other than an Option) shall automatically expire if not exercised by the Purchaser within 30 days (or such other period as may be specified in the Share Grant Agreement, Restricted Share Unit Award Agreement (as defined below), Share Option Agreement (as defined below) or Share Purchase Agreement (“**Award Agreement**”) after the grant of such right was communicated to the Purchaser by our Company. Such right is not transferable and may be exercised only by the Purchaser to whom such right was granted.

(iii) Purchase Price

The consideration for which one Share may be acquired under the Pre-IPO Share Plan (other than upon exercise of an Option) as specified by the Board of Directors (“**Purchase Price**”) to be offered under the Pre-IPO Share Plan, if newly issued, shall not be less than the par value of such Shares. Subject to the foregoing, the Board of Directors shall determine the Purchase Price of Shares to be offered under the Pre-IPO Share Plan at its sole discretion.

(g) *Terms and Conditions of Options*

(i) *Share Option Agreement*

Each grant of an Option under the Pre-IPO Share Plan shall be evidenced by an agreement between our Company and an Optionee that contains the terms, conditions and restrictions pertaining to the Optionee's Option ("**Share Option Agreement**"). The Option shall be subject to all applicable terms and conditions of the Pre-IPO Share Plan and may be subject to any other terms and conditions that are not inconsistent with the Pre-IPO Share Plan and that the Board of Directors deems appropriate for inclusion in a Share Option Agreement. The provisions of the various Share Option Agreements entered into under the Pre-IPO Share Plan need not be identical.

(ii) *Number of Shares*

Each Share Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with the Pre-IPO Share Plan. The Share Option Agreement shall also specify whether the Option is an ISO or a Nonstatutory Option.

(iii) *Exercise Price*

Each Share Option Agreement shall specify the Exercise Price. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant but in no event less than the par value per Share, and in the case of an ISO a higher percentage may be required by the Pre-IPO Share Plan. Subject to the foregoing, the Exercise Price shall be determined by the Board of Directors at its sole discretion.

(iv) *Exercisability*

Each Share Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. No Option shall be exercisable unless the Optionee (i) has delivered an executed copy of the Share Option Agreement to our Company or (ii) otherwise agrees to be bound by the terms of the Share Option Agreement. The Board of Directors shall determine the exercisability provisions of the Share Option Agreement at its sole discretion.

(v) *Basic Term*

The Share Option Agreement shall specify the term of the Option. The term shall not exceed 10 years from the Date of Grant, and in the case of an ISO a shorter term may be required by the Pre-IPO Share Plan. Subject to the foregoing, the Board of Directors at its sole discretion shall determine when an Option is to expire.

(vi) Termination of Service (Except by Death)

Except as otherwise provided in a Share Option Agreement, if an Optionee's service as an Employee, Outside Director or Consultant ("**Service**") terminates for any reason other than the Optionee's death, then the Optionee's Options shall expire on the earliest of the following dates:

- (a) the expiration date of the Option determined pursuant to the Pre-IPO Share Plan;
- (b) the date three months after the termination of the Optionee's Service for any reason other than the Optionee being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment ("**Disability**"), or such earlier or later date as the Board of Directors may determine (but in no event earlier than 30 days after the termination of the Optionee's Service); or
- (c) the date six months after the termination of the Optionee's Service by reason of Disability, or such later date as the Board of Directors may determine.

The Optionee may exercise all or part of the Optionee's Options at any time before the expiration of such Options under the preceding sentence, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination). The balance of such Options shall lapse when the Optionee's Service terminates. In the event that the Optionee dies after the termination of the Optionee's Service but before the expiration of the Optionee's Options, all or part of such Options may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's Service terminated (or became exercisable as a result of the termination) and the underlying Shares had vested before the Optionee's Service terminated (or vested as a result of the termination).

(vii) Leave of Absence

Service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by our Company in writing and if continued crediting of Service for this purpose is expressly required by the terms of such leave or by applicable law (as determined by our Company).

(viii) Death of Optionee

Except as otherwise provided in a Share Option Agreement, if an Optionee dies while the Optionee is in Service, then the Optionee's Options shall expire on the earlier of the following dates:

- (i) the expiration date of the Option determined pursuant to the Pre-IPO Share Plan; or
- (ii) the date 12 months after the Optionee's death, or such earlier or later date as the Board of Directors may determine (but in no event earlier than six months after the Optionee's death).

All or part of the Optionee's Options may be exercised at any time before the expiration of such Options by the executors or administrators of the Optionee's estate or by any person who has acquired such Options directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that such Options had become exercisable before the Optionee's death (or became exercisable as a result of the death) and the underlying Shares had vested before the Optionee's death (or vested as a result of the Optionee's death). The balance of such Options shall lapse when the Optionee dies.

(ix) Pre-Exercise Restrictions on Transfer of Options or Shares

An Option shall be transferable by the Optionee only by (i) a beneficiary designation, (ii) a will; (iii) the laws of descent and distribution or (iv) prior approval by the Board of Directors, except as provided in the Pre-IPO Share Plan. If the applicable Share Option Agreement so provides, a Nonstatutory Option shall also be transferable by gift or domestic relations order to a family member of the Optionee. An ISO may be exercised during the lifetime of the Optionee only by the Optionee or by the Optionee's guardian or legal representative. In addition, an Option shall comply with all conditions of Rule 12h-1(f)(1) under the Exchange Act until our Company becomes subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Such conditions include, without limitation, the transferability restrictions set forth in Rule 12h-1(f)(1)(iv) and (v) under the Exchange Act, which shall apply to an Option and, prior to exercise, to the Shares to be issued upon exercise of such Option during the period commencing on the Date of Grant and ending on the earlier of (i) the date when our Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or (ii) the date when our Company makes a determination that it will cease to rely on the exemption afforded by Rule 12h-1(f)(1) under the Exchange Act. During such period, an Option and, prior to exercise, the Shares to be issued upon exercise of such Option shall be restricted as to any pledge, hypothecation or other transfer by the Optionee, including any short position, any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) or any "call equivalent position" (as defined in Rule 16a-1(b) under the Exchange Act).

(x) No Rights as a Shareholder

An Optionee, or a transferee of an Optionee, shall have no rights as a shareholder with respect to any Shares covered by the Optionee's Option until such person becomes entitled to receive such Shares by filing a notice of exercise and paying the Exercise Price pursuant to the terms of such Option.

(xi) Modification, Extension and Assumption of Options

Within the limitations of the Pre-IPO Share Plan, the Board of Directors may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by our Company or another issuer) in return for the grant of new Options or a different type of award for the same or a different number of Shares and at the same or a different Exercise Price (if applicable). The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, impair the Optionee's rights or increase the Optionee's obligations under such Option.

(xii) Company's Right to Cancel Certain Options

Any other provision of the Pre-IPO Share Plan or a Share Option Agreement notwithstanding, our Company shall have the right at any time to cancel an Option that was not granted in compliance with Rule 701 under the US Securities Act. Prior to canceling such Option, our Company shall give the Optionee not less than 30 days' notice in writing. If our Company elects to cancel such Option, it shall deliver to the Optionee consideration with an aggregate Fair Market Value equal to the excess of (i) the Fair Market Value of the Shares subject to such Option as of the time of the cancellation over (ii) the Exercise Price of such Option. The consideration may be delivered in the form of cash or cash equivalents, in the form of Shares, or a combination of both. If the consideration would be a negative amount, such Option may be cancelled without the delivery of any consideration.

(h) Payment for Shares

(i) General Rule

The entire Purchase Price or Exercise Price of Shares issued under the Pre-IPO Share Plan shall be payable in cash or cash equivalents at the time when such Shares are purchased, except as otherwise provided in the Pre-IPO Share Plan.

In addition, the Board of Directors in its sole discretion may also permit payment through any of the methods described below:

- (a) Shares may be awarded under the Pre-IPO Share Plan in consideration of services rendered to our Group prior to the award provided that no Share is issued for less than its par value paid in cash to our Company.
- (b) All or a portion of the Purchase Price or Exercise Price (as the case may be) of Shares issued under the Pre-IPO Share Plan may be paid with a full-recourse promissory note. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon. The interest rate payable under the terms of the promissory note shall not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Board of Directors (at its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note.
- (c) All or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to our Company in good form for transfer and shall be valued at their Fair Market Value as of the date when the Option is exercised.
- (d) If the Shares are publicly traded, all or part of the Exercise Price and any withholding taxes may be paid by the delivery (on a form prescribed by our Company) of an irrevocable direction to a securities broker approved by our Company to sell Shares and to deliver all or part of the sales proceeds to our Company.

An Option may permit exercise through a “net exercise” arrangement pursuant to which our Company will reduce the number of Shares issued upon exercise by the largest whole number of Shares having an aggregate Fair Market Value (determined by the Board of Directors as of the exercise date) that does not exceed the aggregate Exercise Price or the sum of the aggregate Exercise Price plus all or a portion of the minimum amount required to be withheld under applicable tax law (with our Company accepting from the Optionee payment of cash or cash equivalents to satisfy any remaining balance of the aggregate Exercise Price and, if applicable, any additional withholding obligation not satisfied through such reduction in Shares); provided that to the extent Shares subject to an Option are withheld in this manner, the number of Shares subject to the Option following the net exercise will be reduced by the sum of the number of Shares withheld and the number of Shares delivered to the Optionee as a result of the exercise.

To the extent that an Award Agreement so provides, the Purchase Price or Exercise Price of Shares issued under the Pre-IPO Share Plan may be paid in any other form permitted by applicable laws.

(i) Terms and Conditions of Restricted Share Unit

(i) Restricted Share Unit Award Agreement

Each award of Restricted Share Units (“**Restricted Share Unit Award**”) under the Pre-IPO Share Plan shall be evidenced by an agreement between our Company and the Grantee that contains the terms, conditions and restrictions pertaining to the Grantee’s Restricted Share Unit Award (“**Restricted Share Unit Award Agreement**”). The Restricted Share Unit Award shall be subject to all applicable terms and conditions of the Pre-IPO Share Plan and may be subject to any other terms and conditions that are not inconsistent with the Pre-IPO Share Plan and that the Board of Directors deems appropriate for inclusion in a Restricted Share Unit Award Agreement. The provisions of the various Restricted Share Unit Award Agreements entered into under the Pre-IPO Share Plan need not be identical.

(ii) Number of Shares

Each Restricted Share Unit Award Agreement shall specify the number of Shares that are subject to the Restricted Share Unit Award and shall provide for the adjustment of such number in accordance with the Pre-IPO Share Plan.

(iii) Vesting Conditions

Each Restricted Share Unit Award may or may not be subject to vesting, as determined by the Board of Directors in its sole discretion. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Restricted Share Unit Award Agreement. A Restricted Share Unit Award Agreement may provide for accelerated vesting upon certain specified events.

(iv) Voting Rights

The holders of Restricted Share Unit Awards shall have no voting rights.

(v) Settlement of Restricted Share Unit Awards

Settlement of any vested Restricted Share Unit Award may be made in the form of (a) Shares, (b) cash or (c) any combination of both, as determined by the Board of Directors in its sole discretion. The actual number of Restricted Share Units eligible for settlement may be larger or smaller than the number included in the original Restricted Share Unit Award, based on predetermined performance factors. Methods of converting Restricted Share Units into cash may include (without limitation) a method based on the average Fair Market Value of a Share over a series of trading days. Vested Restricted Share Units shall be settled in such manner and at such time(s) as specified in the Restricted Share Unit Award Agreement. Until a Restricted Share Unit Award is settled, the number of such Restricted Share Units shall be subject to adjustment pursuant to the Pre-IPO Share Plan.

(vi) *Modification or Assumption of Restricted Share Units*

Within the limitations of the Pre-IPO Share Plan, the Board of Directors may modify or assume outstanding Restricted Share Units or may accept the cancellation of outstanding Restricted Share Units (whether granted by our Company or by another issuer) in return for the grant of new Restricted Share Units for the same or a different number of Shares or in return for the grant of a different type of award.

(j) *Adjustment of Shares*

In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a combination or consolidation of the outstanding Shares into a lesser number of Shares, a reclassification, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by our Company, proportionate adjustments shall automatically be made in each of (i) the number and kind of Shares available for future grants under the Pre-IPO Share Plan, (ii) the number and kind of Shares covered by each outstanding Option and any outstanding and unexercised right to purchase Shares that has not yet expired pursuant to the Pre-IPO Share Plan, (iii) the Exercise Price under each outstanding Option and the Purchase Price applicable to any unexercised share purchase right described in (ii) above, (iv) the number and kind of Shares covered by each outstanding Restricted Share Unit that has not yet expired and (v) any repurchase price that applies to Shares granted under the Pre-IPO Share Plan pursuant to the terms of our Company repurchase right under the applicable Award Agreement. In the event of a declaration of an extraordinary dividend payable in a form other than Shares in an amount that has a material effect on the Fair Market Value of the Shares, a recapitalization, a spin-off, or a similar occurrence, the Board of Directors at its sole discretion may make appropriate adjustments in one or more of the items listed in (i) through (iv) above. No fractional Shares shall be issued under the Pre-IPO Share Plan as a result of an adjustment under the Pre-IPO Share Plan, although the Board of Directors in its sole discretion may make a cash payment in lieu of fractional Shares.

In the event that our Company is a party to a merger or consolidation, or in the event of a sale of all or substantially all of our Company's shares or assets, all Shares acquired under the Pre-IPO Share Plan and all Options and other Pre-IPO Share Plan awards outstanding on the effective date of the transaction shall be treated in the manner described in the definitive transaction agreement (or, in the event the transaction does not entail a definitive agreement to which our Company is party, in the manner determined by the Board of Directors in its capacity as administrator of the Pre-IPO Share Plan, with such determination having final and binding effect on all parties), which agreement or determination need not treat all Options and awards (or all portions of an Option or an award) in an identical manner. The treatment specified in the transaction agreement may include (without limitation) one or more of the following with respect to each outstanding Option or award:

- (a) Continuation of the Option or award by our Company (if our Company is the surviving company).
- (b) Assumption of the Option by the surviving company or its parent in a manner that complies with Code Section 424(a) (whether or not the Option is an ISO) and applicable foreign exchange and tax requirements.

- (c) Substitution by the surviving company or its parent of a new option for the Option in a manner that complies with Code Section 424(a) (whether or not the Option is an ISO) and applicable foreign exchange and tax requirements.
- (d) Cancellation of the Option and a payment to the Optionee with respect to each Share subject to the portion of the Option that is vested as of the transaction date equal to the excess of (A) the value, as determined by the Board of Directors in its absolute discretion, of the property (including cash) received by the holder of a Share as a result of the transaction, over (B) the per-Share Exercise Price of the Option (such excess, the “**Spread**”). Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving company or its parent having a value equal to the Spread. In addition, any escrow, holdback, earn-out or similar provisions in the transaction agreement may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Shares. If the Spread applicable to an Option is zero or a negative number, then the Option may be cancelled without making a payment to the Optionee.
- (e) Cancellation of the Option without the payment of any consideration; provided that the Optionee shall be notified of such treatment and given an opportunity to exercise the Option (to the extent the Option is vested or becomes vested as of the effective date of the transaction) during a period of not less than five business days preceding the effective date of the transaction, unless (A) a shorter period is required to permit a timely closing of the transaction and (B) such shorter period still offers the Optionee a reasonable opportunity to exercise the Option. Any exercise of the Option during such period may be contingent upon the closing of the transaction.
- (f) Suspension of the Optionee’s right to exercise the Option during a limited period of time preceding the closing of the transaction if such suspension is administratively necessary to permit the closing of the transaction.
- (g) Termination of any right the Optionee has to exercise the Option prior to vesting in the Shares subject to the Option, such that following the closing of the transaction the Option may only be exercised to the extent it is vested.

For the avoidance of doubt, the Board of Directors has discretion to accelerate, in whole or part, the vesting and exercisability of an Option or other Plan award, including the vesting and settlement of a Restricted Share Unit Award in connection with a corporate transaction covered above.

Except as provided above, a Grantee, Optionee or Purchaser (“**Participant**”) shall have no rights by reason of (i) any subdivision or consolidation of shares of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of any class. Any issuance by our Company of shares of any class, or securities convertible into shares of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option

pursuant to the Pre-IPO Share Plan shall not affect in any way the right or power of our Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

(k) Duration and Amendments; Shareholder Approval

(i) Term of the Pre-IPO Share Plan

The Pre-IPO Share Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors, subject to approval of our Company's shareholders below. The Pre-IPO Share Plan shall terminate automatically 10 years after the later of (i) the date when the Board of Directors adopted the Pre-IPO Share Plan or (ii) the date when the Board of Directors approved the most recent increase in the number of Shares reserved under the Pre-IPO Share Plan that was also approved by our Company's shareholders. The Pre-IPO Share Plan may be terminated on any earlier date pursuant to the right of the Board of Directors below.

(ii) Right to Amend or Terminate the Pre-IPO Share Plan

Subject to any shareholder approval as required below, the Board of Directors may amend, suspend or terminate the Pre-IPO Share Plan at any time and for any reason.

(iii) Effect of Amendment or Termination

No Shares shall be issued or sold and no Option or Restricted Share Unit Award shall be granted under the Pre-IPO Share Plan after the termination thereof, except upon exercise of an Option (or any other right to purchase Shares) granted under the Pre-IPO Share Plan prior to such termination. The termination of the Pre-IPO Share Plan, or any amendment thereof, shall not affect any Share or Restricted Share Unit Award previously issued or any Option previously granted under the Pre-IPO Share Plan.

(iv) Shareholder Approval

To the extent required by applicable law, the Pre-IPO Share Plan will be subject to approval of our Company's shareholders within 12 months of its adoption date. To the extent required by applicable law, any amendment of the Pre-IPO Share Plan will be subject to the approval of our Company's shareholders within 12 months of the amendment date if it (i) increases the number of Shares available for issuance under the Pre-IPO Share Plan (except as provided in the terms and conditions of Restricted Share Units), or (ii) materially changes the class of persons who are eligible for the grant of ISOs. In addition, an amendment effecting any other material change to the Pre-IPO Share Plan terms will be subject to approval of our Company's shareholder only if required by applicable law. Shareholder approval shall not be required for any other amendment of the Pre-IPO Share Plan.

(l) Details of the Shares, Options and Restricted Share Units awarded or granted under the Pre-IPO Share Plan as of the Latest Practicable Date

The maximum number of Shares underlying the Pre-IPO Share Plan is 156,847,868 Shares.

(i) Details of the Shares awarded under the Pre-IPO Share Plan as of the Latest Practicable Date

As of the Latest Practicable Date, no Shares were awarded or agreed to be awarded by our Company pursuant to the Pre-IPO Share Plan.

(ii) Details of the Options granted under the Pre-IPO Share Plan as of the Latest Practicable Date

As of the Latest Practicable Date, Options (excluding any Options which have been forfeited, expired or cancelled pursuant to the Pre-IPO Share Plan) to subscribe for an aggregate of 156,847,868 Shares (i.e., all Shares reserved for the Pre-IPO Share Plan) had been granted to the Directors, senior management and employees of our Group. Within such 156,847,868 Shares, (i) 24,187,308 Shares were issued to Excellent Ocean Trust which was set up with an independent professional trustee to manage the Options granted to 12 grantees under the Pre-IPO Share Plan, (ii) 22,689,107 Shares were issued to a total of 88 employees of the Group who exercised their Options granted pursuant to the Pre-IPO Share Plan of the Company, and (iii) 109,971,453 Shares may be further issued for outstanding Options held by the grantees under the Pre-IPO Share Plan, representing approximately 20.66% of the issued share capital of our Company as of the Latest Practicable Date and 19.32% of the total issued share capital of our Company immediately following the completion of the Global Offering. See “History and Corporate Structure – Major Shareholding Changes of Our Company – 5. Share Incentive Schemes” for details. None of the grantees were required to pay any consideration for the grant of the Options.

As of the Latest Practicable Date, Options (excluding any Options which have been forfeited, expired or cancelled pursuant to the Pre-IPO Share Plan) to subscribe for an aggregate of 90,287,093 Shares had been granted to 12 grantees who are Directors, senior management, members of our core R&D team, other connected persons of our Company or grantees who have been granted Options to subscribe for 3,000,000 Shares or more under the Pre-IPO Share Plan. Details of the outstanding and exercised Options granted pursuant to the Pre-IPO Share Plan to our Directors, senior management, members of our core R&D team, other connected persons and grantees who have been granted Options to subscribe for 3,000,000 Shares or more under the Pre-IPO Share Plan are set out below:

Name	Address	Position(s) held within our Group	Date of grant	Exercise period	Exercise price (US\$)	Vesting period ⁽¹⁾	Number of Shares underlying the exercised Options as of the Latest Practicable Date	Number of Shares underlying the outstanding and unexercised Options as of the Latest Practicable Date	Shares underlying the outstanding and unexercised Options as an approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ⁽²⁾
<i>Directors</i>									
Mr. Shan Jizhang (單記章)	14530 Deer Park Court, Los Gatos, California, 95032, United States	Founder, chairman of our Board, executive Director and chief executive officer	March 22, 2018	10 years from the date of grant	0.09	A	–	5,000,000	0.87%
			July 20, 2021		0.19	D	–	25,000,000	4.39%
			June 11, 2023		0.59	D	–	15,000,000	2.64%
Mr. Liu Weihong (劉衛紅)	Room 901, No. 8, Lane 466, Tian Bao Road, Shanghai, China	Founder, Executive Director and president	March 22, 2018	10 years from the date of grant	0.09	A	–	2,291,667	N/A ⁽⁴⁾
			July 20, 2021		0.19	D	–	4,800,000	N/A ⁽⁴⁾
			September 26, 2022		0.56	D	–	1,000,000	N/A ⁽⁴⁾
			June 11, 2023		0.59	D	–	1,800,000	N/A ⁽⁴⁾
Mr. Zeng Daibing (曾代兵)	2E, Building 3, Haiyi Dongfang Garden, Science and Technology Park, Nanshan District, Shenzhen, China	Executive Director and Chief system officer	September 29, 2018	10 years from the date of grant	0.09	A	–	1,300,000	0.23%
			September 25, 2019		0.18	A	–	240,000	0.04%
			September 28, 2020		0.19	A	–	500,000	0.09%
			July 20, 2021		0.19	D	–	1,480,000	N/A ⁽⁴⁾
			July 20, 2021		0.19	D	–	1,480,000	0.26%
			September 26, 2022		0.56	D	–	750,000	N/A ⁽⁴⁾
			June 11, 2023		0.59	D	–	710,000	N/A ⁽⁴⁾

Name	Address	Position(s) held within our Group	Date of grant	Exercise period	Exercise price (US\$)	Vesting period ⁽¹⁾	Number of Shares underlying the exercised Options as of the Latest Practicable Date	Number of Shares underlying the outstanding and unexercised Options as of the Latest Practicable Date	Shares underlying the outstanding and unexercised Options as an approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ⁽²⁾
Senior management									
Mr. Yang Yuxin (楊宇欣)	Room 601, Unit 8, 12/F, No. 20, Zizhuyuan South Road, Haidian District, Beijing, China	Chief marketing officer	March 18, 2020	10 years from the date of grant	0.18	A	–	3,500,000	N/A ⁽⁴⁾
			July 20, 2021		0.19	D	–	1,000,000	N/A ⁽⁴⁾
			September 26, 2022		0.56	D	–	1,000,000	N/A ⁽⁴⁾
			June 11, 2023		0.59	D	–	450,000	N/A ⁽⁴⁾
Core R&D team members									
Mr. Xiong Chengyu	912 Cherrywood Ct, San Jose, California 95129, United States	Vice president for ASIC design	December 15, 2017	10 years from the date of grant	0.035	A	300,000	–	–
			September 28, 2020		0.19	A	–	23,750	0.004%
			September 26, 2022		0.56	D	–	260,000	0.05%
			June 11, 2023		0.59	D	–	260,000	0.05%
			September 25, 2019		0.18	A	58,082	–	–
			September 28, 2020		0.19	A	166,250	–	–
			–		–		–		–
Mr. Wu Donghui	2008 Fairmont Dr., San Mateo, California 94402, United States	Vice president for image science	December 15, 2017	10 years from the date of grant	0.035	A	–	585,373	0.10%
			September 29, 2018		0.09	A	–	100,000	0.02%
			September 25, 2019		0.18	A	–	80,000	0.01%
			December 16, 2019		0.18	F	–	500	0.0001%
			June 12, 2020		0.18	F	–	167	0.00003%
			September 28, 2020		0.19	A	–	250,000	0.04%
			July 20, 2021		0.19	D	–	300,000	0.05%
			September 26, 2022		0.56	F	–	3,600,000	0.63%
			September 26, 2022		0.56	D	–	300,000	0.05%
			June 11, 2023		0.59	D	–	300,000	0.05%

Name	Address	Position(s) held within our Group	Date of grant	Exercise period	Exercise price (US\$)	Vesting period ⁽¹⁾	Number of Shares underlying the exercised Options as of the Latest Practicable Date	Number of Shares underlying the outstanding and unexercised Options as of the Latest Practicable Date	Shares underlying the outstanding and unexercised Options as an approximate
									percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ⁽²⁾
Mr. He Tiejun	Room 1715, Building 7, Zhongxing Rencai Apartment, Nanshan District, Shenzhen, PRC	Vice president for SoC	September 29, 2018	10 years from the date of grant	0.09	A	–	149,813	0.03%
			September 25, 2019		0.18	A	–	30,000	0.01%
			September 28, 2020		0.19	A	–	50,000	0.01%
			March 11, 2021		0.19	A	–	75,000	0.01%
			March 11, 2021		0.19	A	–	25,000	N/A ⁽⁴⁾
			July 20, 2021		0.19	D	–	355,547	0.06%
			July 20, 2021		0.19	D	–	118,516	N/A ⁽⁴⁾
			September 26, 2022		0.56	D	–	250,000	0.05%
			September 26, 2022		0.56	D	–	250,000	N/A ⁽⁴⁾
			June 11, 2023		0.59	D	–	440,000	N/A ⁽⁴⁾
Mr. You Changhai	Room 5-1-3002 Golden Palm, Gana Bay, Huayang, Chengdu, Sichuan, PRC	Vice president for system software	September 29, 2018	10 years from the date of grant	0.09	A	–	500,000	0.09%
			September 25, 2019		0.18	A	–	15,000	N/A ⁽⁴⁾
			September 28, 2020		0.19	A	–	30,000	N/A ⁽⁴⁾
			July 20, 2021		0.19	D	–	279,500	N/A ⁽⁴⁾
			September 26, 2022		0.56	D	–	500,000	N/A ⁽⁴⁾
			June 11, 2023		0.59	D	–	400,000	N/A ⁽⁴⁾
Connected person									
Mr. Pan Hui (潘輝)	1073 Windsor Street, San Jose, California, 95129, United States	Senior director of data center and information technology	December 15, 2017	10 years from the date of grant	0.035	A	500,000	–	–
			September 29, 2018		0.09	A	80,000	–	–
			September 25, 2019		0.18	A	50,000	–	–
			September 28, 2020		0.19	A	–	123,380	0.02%
			July 20, 2021		0.19	D	–	200,000	0.04%
			September 26, 2022		0.56	D	–	250,000	0.04%
			June 11, 2023		0.59	D	–	250,000	0.04%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name	Address	Position(s) held within our Group	Date of grant	Exercise period	Exercise price (US\$)	Vesting period ⁽¹⁾	Number of Shares underlying the exercised Options as of the Latest Practicable Date	Number of Shares underlying the outstanding and unexercised Options as of the Latest Practicable Date	Shares underlying the outstanding and unexercised Options as an approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ⁽²⁾
<i>Grantees who have been granted Options to subscribe for 3,000,000 Shares or more</i>									
Mr. Chen Jianzhong	#06-08 Yew Tee Residences, 23 Choa Chu Kang North 6, Singapore 689579, Singapore	Business development director	September 26, 2022	10 years from the date of grant	0.56	F	-	4,000,000	0.70%
			May 19, 2024		0.70	F	-	486,542	0.09%
			May 30, 2024		0.70	F	-	125,625	0.02%
			June 21, 2024		0.70	F	-	96,834	0.02%
			July 14, 2024		0.70	F	-	320,707	0.06%
Mr. Gu Qun	4982 Tuscany Circle, San Jose, California 95135, United States	Former employee	December 15, 2017	10 years from the date of grant	0.035	A	180,000	-	-
			December 15, 2017		0.035	A	1,192,927	-	-
			March 22, 2018		0.09	C	1,620,000	-	-
			March 22, 2018		0.09	C	180,000	-	-
			March 11, 2021		0.19	F	500	-	-
			July 20, 2021		0.19	D	125,000	-	-
Mr. Zhang Lei	470 Nolden Ave, San Jose, California 95117, United States	Senior manager of computer vision	September 25, 2019	10 years from the date of grant	0.18	A	-	730	0.0001%
			December 15, 2017		0.035	A	200,000	-	-
			September 28, 2020		0.19	A	-	11,250	0.002%
			December 15, 2017		0.035	A	100,000	-	-
			July 20, 2021		0.19	D	-	75,000	0.01%
			December 15, 2017		0.035	A	2,300,000	-	-
			September 26, 2022		0.56	D	-	150,000	0.03%
			September 29, 2018		0.09	A	26,413	-	-
			September 25, 2019		0.18	A	34,270	-	-
			June 11, 2023		0.59	D	-	100,000	0.02%
			September 28, 2020		0.19	A	78,750	-	-
			July 20, 2021		0.19	D	75,000	-	-
Total							7,267,192	83,019,901	10.93%

As of the Latest Practicable Date, Options (excluding any Options which have been forfeited, expired or cancelled pursuant to the Pre-IPO Share Plan) to subscribe for an aggregate of 66,560,775 Shares had been granted to 488 grantees who are not Directors, senior management, members of our core R&D team, other connected persons of our Company nor grantees who have been granted Options to subscribe for 3,000,000 Shares or more under the Pre-IPO Share Plan (the “**Other Grantees**”). We set forth below the information on the outstanding and exercised Options granted to the Other Grantees under the Pre-IPO Share Plan as of the Latest Practicable Date.

Range of Shares underlying the outstanding and exercised Options granted under the Pre-IPO Share Plan	Total number of grantees	Dates of grant	Exercise Price (US\$)	Vesting period ⁽¹⁾	Number of Shares underlying the exercised Options as of the Latest Practicable Date	Number of Shares underlying the outstanding and unexercised Options as of the Latest Practicable Date	Shares underlying the outstanding and unexercised Options as an approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ⁽²⁾
1 to 49,999	281	September 29, 2018 to May 19, 2024	0.09 to 0.70	A; B; D	387,867	5,199,653	0.91%
50,000 to 99,999	67	December 15, 2017 to May 19, 2024	0.035 to 0.70	A; D	177,786	4,824,112	0.85%
100,000 to 499,999	106	December 15, 2017 to May 19, 2024	0.035 to 0.70	A; B; D; F	4,084,964	17,214,199	3.02%
500,000 to 999,999	19	December 15, 2017 to May 19, 2024	0.035 to 0.70	A; B; D; E; F	2,401,306	10,059,533	1.77%
1,000,000 to 2,999,999	15	December 15, 2017 to June 21, 2024	0.035 to 0.70	A; B; C; D; E; F	8,369,992	13,841,363	1.84% ⁽⁵⁾
Total	488				15,421,915	51,138,860	8.39%

Notes:

(1) Please refer to different categories of vesting schedules below:

Category	Vesting schedule
A	25% of the total granted share options shall vest one year from the vesting commencement date and the remaining 75% shall vest on each month thereafter over the next three years in equal portion
B	1/3 of the total granted share options shall vest one year from the vesting commencement date and the remaining 2/3 shall vest on each month thereafter over the next two years in equal portion
C	50% of the total granted share options shall vest one year from the vesting commencement date and the remaining 50% shall vest each month thereafter over the next year in equal portion

- | Category | Vesting schedule |
|----------|---|
| D | 50% of the total granted share options shall vest two years from the vesting commencement date and the remaining 50% shall vest each year thereafter over the next two years in equal portion |
| E | 100% of the total granted share options shall vest one year from the vesting commencement date |
| F | 100% of the total granted share options shall vest on the vesting commencement date |
- (2) Assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) all Preferred Shares have been converted into Shares on a one-to-one basis immediately upon the completion of the Global Offering, and (iii) without taking into account any Shares that may further be issued under the Share Plans.
- (3) The exercise period for all Options granted under the Pre-IPO Share Plan is 10 years from the relevant date of grant.
- (4) Among the 25,770,043 Shares underlying the outstanding and unexercised Options as held by Mr. Liu Weihong, Mr. Zeng Daibing, Mr. Yang Yuxin, Mr. He Tiejun and Mr. You Changhai in aggregate, 20,839,683 Shares are issued to Excellent Ocean Trust and therefore, the dilution effect as shown herein does not take into account these 20,839,683 Shares.
- (5) Among the 13,841,363 Shares underlying the outstanding and unexercised Options, 3,347,625 Shares are issued to Excellent Ocean Trust and therefore, the dilution effect as shown herein does not take into account these 3,347,625 Shares.

Assuming the full exercise of the outstanding Options granted as of the Latest Practicable Date under the Pre-IPO Share Plan, the shareholding of the Shareholders immediately after the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the Options under the Pre-IPO Share Plan are exercised, and without taking into account any Shares that may further be issued under the Post-IPO Share Plan) would be diluted by approximately 19.32%. The effects of such exercise were excluded from the calculation of diluted loss per Share as the effects would have been anti-dilutive.

(iii) Details of the Restricted Share Units awarded under the Pre-IPO Share Plan as of the Latest Practicable Date

As of the Latest Practicable Date, no Restricted Share Units were awarded or agreed to be awarded by our Company pursuant to the Pre-IPO Share Plan.

(m) Establishment of trustee for the Pre-IPO Share Plan

For details of the professional trustee to be engaged by our Company to hold and manage our Shares to be issued under the Pre-IPO Share Plan, please refer to the section headed “History and Corporate Structure”.

2. Post-IPO Share Plan

The following is a summary of the principal terms of the Post-IPO Share Plan conditionally adopted and approved by our Shareholders on July 26, 2024. The terms of the Post-IPO Share Plan will be governed by Chapter 17 of the Listing Rules. Terms defined and used under this sub-section headed “Post-IPO Share Scheme” shall apply to this sub-section only.

The Post-IPO Share Plan shall be valid and effective for a period of 10 years commencing on the Listing Date (the “**Effective Date**”).

(a) *Purposes*

The purposes of the Post-IPO Share Plan are to recognise, motivate and provide incentives to those who make contributions to the Group, to attract and retain the best available personnel, to provide additional incentive to employees or directors of the Group, and to promote the success of the business of the Group. The Post-IPO Share Plan will give the Participants an opportunity to have a personal stake in our Company and will help achieve the following objectives: (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

(b) *Types of awards*

The Post-IPO Share Plan provides for an award of (i) an option to subscribe for Shares (the “**Option**”), or (ii) an award to subscribe for Shares (the “**Awards**”) pursuant to the terms of the Post-IPO Share Plan.

(c) *Participants*

Persons eligible to participate in the Post-IPO Share Plan (the “**Participants**”) include a director or employee (whether full time or part time) of any member of the Group (including any person who is granted Option(s) or Award(s) as an inducement to enter into employment contract with any member of the Group).

(d) *Maximum number of Shares*

The maximum aggregate number of Shares which may be issued pursuant to all Awards (including Options) is 56,916,925 Shares (assuming the Offer Size Adjustment Option is not exercised) or 57,471,925 Shares (assuming the Offer Size Adjustment Option is exercised in full), representing 10% of the total number of the Shares in issue as at the Listing Date.

In addition, the maximum number of Shares issuable upon exercise of Options or vesting of any Awards granted under the Post-IPO Share Plan and any grants made under any other share schemes of our Company shall not exceed 10% of the total number of Shares in issue as at the Listing Date (excluding, for this purpose, Shares issuable upon exercise of options or vesting of awards which have been granted but lapsed in accordance with the terms of the Post-IPO Share Plan or any other share schemes of our Company).

(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 Plan or any other share schemes of our Company) under the Post-IPO Share Plan and any other share schemes of our 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, our Company must send a circular to the Shareholders containing all information required under the Listing Rules.

(f) Administration

Subject to compliance with the requirements of the Listing Rules and the provisions of the Post-IPO Share Plan, the Board shall have the power, among other matters, to (i) interpret and construe the provisions of the Post-IPO Share Plan; (ii) determine the Participants who will be offered Options and/or Awards under the Post-IPO Share Plan, and with respect to each Participant, the amount of Options to be granted and the exercise price (in the case of Options), and the amount of Awards to be granted and the purchase price (in the case of Awards); (iii) make such appropriate and equitable adjustments to the terms of Options and Awards granted under the Post-IPO Share Plan as it may deem necessary; and (iv) make such other decisions or determinations or regulations as it shall deem appropriate for the administration of the Post-IPO Share Plan.

The Board has the power to delegate purely administrative matters in connection with the Post-IPO Share Plan to authorised agent(s) as deemed appropriate at the sole discretion of the Board.

(g) Grant of Options and Awards

Subject to compliance with the requirements of the Listing Rules and the provisions of the Post-IPO Share Plan, the Board shall be entitled at any time and from time to time within the term of the Post-IPO Share Plan to grant any Options at such exercise price and/or to grant any Awards at such purchase price to any Participant as it may in its absolute discretion select, and subject to such conditions as he may think fit, including without limitation, that (i) the Participant shall not dispose of the Shares issued upon exercise of the Option (in the case of Options) or upon vesting of the Award (in the case of Awards) within such period of time or under such conditions as the Board may in its absolute discretion determine, (ii) the minimum period for which an Option or an Award (as the case may be) must be held, and (iii) the performance targets (if any) that must be achieved before an Option can be exercised. Unless otherwise determined by the Board and stated in the grant offer made to a Participant, a Participant is not required to achieve any performance targets before the exercise of an Option or the vesting of an Award granted to him.

(h) Exercise price of an Option

The exercise price of an Option shall be a price solely determined by the Board at its absolute discretion and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is offered to a Participant (the "**Offer Date**"), which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date. For the purpose of calculating the exercise price of an Option where our Company has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(i) Purchase price of an Award

The purchase price (if any) in respect of any particular Award shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Award and taking into consideration factors such as prevailing closing price of the Shares, the purpose of the Post-IPO Share Plan, the characteristics and profile of the relevant Participant(s).

(j) Vesting schedule

Vesting period for Options

The vesting period for an Option 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" Options to new joiners to replace the share awards they forfeited when leaving the 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, which include Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
- (iv) grants with a mixed or accelerated vesting schedule such as where the Option may vest evenly over a period of 12 months; or
- (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

Vesting period for Awards

The vesting period for an Award 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” Awards to new joiners to replace the share awards they forfeited when leaving the 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, which include Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
- (iv) grants with a mixed or accelerated vesting schedule such as where the Award may vest evenly over a period of 12 months; or
- (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

(k) Non-transferability of the Awards

An Option or an Award (as the case may be) shall be personal to the Participant and shall not be transferrable or assignable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of or enter into any agreement with any third party over, or in relation to any Option or Award (as the case may be)

where the Participant of which is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid. Any breach of the foregoing by a Participant shall entitle our Company to cancel, revoke or terminate any Option or Award (as the case may be) granted to such Participant to the extent not already exercised.

(l) Rights under special circumstances

If a Participant who accepts the Offer of the grant of any Option or Award (the “**Grantee**”) ceases to be a Participant:

- (i) by reason of his death, ill-health or retirement before exercising the Option and/or Award in full, the Grantee or his personal representatives (as appropriate) may exercise the Option and/or Award (to the extent that such Option is not already exercised and/or such Award is not already vested) in whole or in part within a period of 12 months or such longer period as the Board may determine;
- (ii) by reason of his resignation based on bone fide consultation with our Company before exercising the Option and/or Award in full, the Option and/or Award (to the extent not already exercised) will lapse on the date of resignation and will not be exercisable unless the Board otherwise determines;
- (iii) by reason that he has been guilty of serious misconduct, terminated for cause by our Company, or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group into disrepute) or on any other ground on which an employer would be entitled to terminate his employment summarily, his Option and/or Award will be terminated and cancelled automatically (regardless of whether his Option/Awards have been vested or not) and will not be exercisable; and
- (iv) for any reasons other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds above before exercising his Option and/or Award in full, the Option and/or Award (to the extent that such Option is not already exercised and/or such Award is not already vested) will lapse and will not be exercisable unless the Board otherwise determines.

(m) Alteration and termination

The Post-IPO Share Plan may be altered in any respect by resolutions of the Board save that certain specified terms and conditions which are of a material nature as provided in the Post-IPO Share Plan shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of the Shareholders by a resolution in general meetings. No such alteration shall operate to affect adversely the terms of issue of any Option or Award granted or agreed to be granted prior to such alteration except with the consent of majority of the relevant Grantees.

Any change to the terms of Options or Awards granted to a Grantee must be approved by the Remuneration Committee, the Board, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Options and/or Awards was approved by the Remuneration Committee, the Board, the independent non-executive Directors and/or the Shareholders (as the case may be).

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Plan but Options and Awards granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Post-IPO Share Plan.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, finance condition or results of operations.

3. Joint Sponsors

Each of China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will each receive US\$500,000 for acting as the sponsor for the Listing.

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

4. Preliminary Expenses

The Company did not incur any material preliminary expenses.

5. No Material Adverse Change

Our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since March 31, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus within the two years immediately preceding the date of this Prospectus.

7. Taxation of Holders of Shares***Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this Prospectus:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Zhong Lun Law Firm	Legal advisors as to PRC laws to our Company
Maples and Calder (Hong Kong) LLP	Legal advisors as to Cayman Islands laws to our Company
Frost & Sullivan Limited	Industry consultant
K&L Gates LLP	Legal advisors as to U.S. export control law to our Company

Each of the experts named above has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion of its report, letter, and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

9. Binding Effect

This Prospectus shall have the effect, if an application is made pursuant to this Prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Prospectus, the English language version shall prevail.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this Prospectus:
 - (i) neither we nor any of our major subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash save as disclosed in the section headed “Statutory and General Information – A. Further Information about our Group – 2. Changes in Share Capital” and “Statutory and General Information – A. Further Information about our Group – 3. Changes in the share capital of our subsidiaries” in Appendix IV to this Prospectus;
 - (ii) no share or loan capital of our Company or any of our major subsidiaries and operating entities is under option or is agreed conditionally or unconditionally to be put under option save as disclosed in the section headed “Statutory and General Information – D. Share Incentive Schemes” in Appendix IV to this Prospectus;
 - (iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issuance or sale of any shares or loan capital of any major subsidiary and operating entities; and
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our major subsidiaries and operating entities.

- (b) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued save as disclosed in the section headed “History and Corporate Structure – Major Shareholding Changes of our Company” in this Prospectus.
- (c) There has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this Prospectus.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by Tricor Services (Cayman Islands) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) Our Company has no outstanding convertible debt securities or debentures.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) None of the persons whose names are listed in the paragraph headed “– E. Other Information – 8. Qualifications and Consents of Experts” above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group.
- (i) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 8. Qualifications and Consents of Experts” in Appendix IV to this Prospectus; and
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about our Business –1. Summary of Material Contracts” in Appendix IV to this Prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

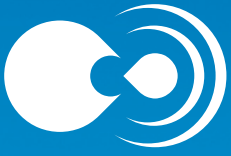
Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.blacksesame.com.cn during a period of 14 days from the date of this Prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this Prospectus;
- (d) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024;
- (e) the report issued by Frost & Sullivan, the summary of which is set out in the section headed “Industry Overview” in this Prospectus;
- (f) the legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisors, in respect of certain aspects of our Group in the PRC;
- (g) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman legal advisors, in respect of certain aspects of the Cayman Companies Act referred to in Appendix III to this Prospectus;

- (h) the legal opinion issued by K&L Gates, our legal advisors as to U.S. export control laws;
- (i) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix IV to this Prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 8. Qualifications and Consents of Experts” in Appendix IV to this Prospectus;
- (k) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 3. Directors’ Service Contracts and Appointment Letters” in Appendix IV to this Prospectus;
- (l) the terms of the Share Plans; and
- (m) the Cayman Companies Act.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of a full list of grantees under the Pre-IPO Share Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus.



Black Sesame International
Holding Limited
黑芝麻智能國際控股有限公司*

