



# 创新奇智 Alnovation

Qingdao Alnovation Technology Group Co., Ltd  
青島創新奇智科技集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2121

## GLOBAL OFFERING



Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

 **UBS** 瑞銀集團  **CICC** 中金公司  **China Renaissance** 华兴资本

Joint Bookrunners and Joint Lead Managers

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## IMPORTANT

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



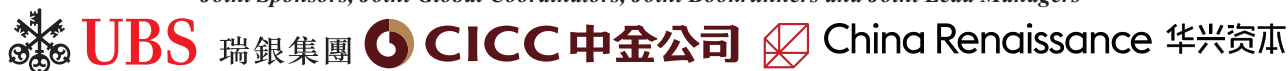
# QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD\* 青島創新奇智科技集團股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 44,744,400 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 4,474,600 H Shares (subject to reallocation)
Number of International Offer Shares	: 40,269,800 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$27.30 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, the FRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 2121

*Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*



*Joint Bookrunners and Joint Lead Managers*



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 the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VIII 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 Global Coordinators (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, January 20, 2022 (Hong Kong time) and, in any event, not later than Sunday, January 23, 2022 (Hong Kong time). Unless otherwise announced, the Offer Price will be not more than HK\$27.30 and is currently expected to be not less than HK\$26.30. If, for any reason, the Offer Price is not agreed by Friday, January 21, 2022 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not proceed and will lapse.

We are incorporated, and our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. See "Risk Factors", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of the Articles of Association".

The Joint Global Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we 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, make an announcement on the website of our Company at [www.ainnovation.com](http://www.ainnovation.com) and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "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 Global Coordinators (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—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 be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

\* For identification purposes only

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**IMPORTANT**

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Your application through the **White Form eIPO** service or the CCASS EIPO service must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HKS		HKS		HKS		HKS
100	2,757.51	2,500	68,937.85	30,000	827,254.29	350,000	9,651,300.07
200	5,515.03	3,000	82,725.43	40,000	1,103,005.72	400,000	11,030,057.22
300	8,272.54	3,500	96,513.00	50,000	1,378,757.16	450,000	12,408,814.38
400	11,030.06	4,000	110,300.57	60,000	1,654,508.59	500,000	13,787,571.53
500	13,787.57	4,500	124,088.14	70,000	1,930,260.02	1,000,000	27,575,143.05
600	16,545.08	5,000	137,875.72	80,000	2,206,011.45	1,500,000	41,362,714.58
700	19,302.61	6,000	165,450.86	90,000	2,481,762.88	2,000,000	55,150,286.10
800	22,060.11	7,000	193,026.01	100,000	2,757,514.31	2,237,300 <sup>(1)</sup>	61,693,867.54
900	24,817.63	8,000	220,601.15	150,000	4,136,271.46		
1,000	27,575.15	9,000	248,176.29	200,000	5,515,028.61		
1,500	41,362.72	10,000	275,751.43	250,000	6,893,785.77		
2,000	55,150.28	20,000	551,502.86	300,000	8,272,542.92		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

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

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the expected timetable of the Hong Kong Public Offering, we will issue an announcement on the respective websites of our Company at [www.ainnovation.com](http://www.ainnovation.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Hong Kong Public Offering commences .....	9:00 a.m. on Monday, January 17, 2022
Latest time to complete electronic applications under the <b>White Form eIPO</b> service through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> .....	11:30 am on Thursday, January 20, 2022
Application lists open <sup>(3)</sup> .....	11:45 am on Thursday, January 20, 2022
Latest time (a) to complete payment of <b>White Form eIPO</b> applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (b) to give electronic application instructions to HKSCC <sup>(4)</sup> .....	12:00 noon on Thursday, January 20, 2022
Application lists close <sup>(3)</sup> .....	12:00 noon on Thursday, January 20, 2022
Expected Price Determination Date .....	Thursday, January 20, 2022
Announcement of Offer Price .....	Wednesday, January 26, 2022
Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the Company at <a href="http://www.ainnovation.com">www.ainnovation.com</a> on or before .....	Wednesday, January 26, 2022
Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares—Publication of Results” from .....	Wednesday, January 26, 2022
Dispatch/collection of H Share certificates or deposit of H Share certificates into CCASS; and e-Refund payment instructions/refund cheques to be dispatched/collected on or before <sup>(5)(6)</sup> .....	Wednesday, January 26, 2022
Dealings in H Shares on the Stock Exchange expected to commence on ...	9:00 a.m. on Thursday, January 27, 2022

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*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.
- (2) You will not be permitted to submit your application under the White Form eIPO service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for making applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for making applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 20, 2022, the application lists will not open and close on that day. For further information please refer to the section headed “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.
- (4) If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals 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.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (5) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Thursday, January 27, 2022 provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade H Shares on the basis of publicly available allocation detail before the receipt of H Share certificates or before the H Share certificates becoming valid do so entirely at their own risk.
- (6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the Maximum Offer Price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheques, if any. Such data would also be transferred to a third-party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

**You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” for details relating to the structure of the Global Offering and the conditions and procedures for application for the Hong Kong Offer Shares.**

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or 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 rely only on the information contained in this prospectus and the Application Forms 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 included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at [www.ainnovation.com](http://www.ainnovation.com), does not form part of this prospectus.*

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## SUMMARY

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in “Risk factors”. You should read the entire document carefully before you decide to invest in the Offer Shares.

### OVERVIEW

We are a fast-growing enterprise AI solutions provider in China. Leveraging our research capabilities in deep learning, we have developed proprietary computer vision and machine learning AI technologies to empower businesses in China. Through integration of AI technologies with our industry insights, we offer full-stack AI-based products and solutions to enable businesses to reduce costs, improve operational efficiency, and optimize decision-making. In less than three years since our inception, we have established our brand in enterprise AI solutions industry in China. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in enterprise AI solutions market in China in terms of revenue with 0.3% market share among more than 1,500 market players. We focus on developing and delivering AI-based products and solutions for the manufacturing and financial services industries in China.

At the early stage of development since our inception, we assembled our core R&D team comprising of Mr. Zhang Fa'en, our CTO, and approximately 40 algorithm engineers. In November and December 2018, we obtained our first copyrights and applied for a series of patents in machine learning and computer vision, respectively. As a result of our R&D efforts we developed our proprietary computer vision and machine learning AI technologies, which have won some of the most prestigious international AI challenges. See “Business – Awards and recognitions.” According to Frost & Sullivan, we are one of the nine companies in China with proprietary deep learning platforms. Our AI platforms enable us to accumulate a repertoire of AI technology assets. They also enable us to accumulate and iterate algorithm models and build an ever growing algorithm model library, or Model Zoo, for reusing in our AI-based products and solutions.

Our industry know-how comprises the knowledge and experience in serving customers across various industry verticals with AI technology. It contributed in accelerating our R&D processes by focusing our efforts in areas with potential commercialization opportunities, and enhancing competitiveness of our proprietary technologies and offerings of products and cost savings. Our technology assets are mostly developed during the R&D process, offerings of products and services, solution development and project delivery.

In addition, we are building an open architecture technology platform to attract more participants along the AI industry value chain and deepen the cooperation with various industry participants. We plan to enhance our ManuVision and MatrixVision platforms compatibility to connect with more devices and applications from different industry participants via WiFi or 5G network. We believe such enhancement will attract more participants in the value chain of the AI industry. See “Business – Overview”. In this regard, we allocated approximately 3.6% or HK\$39.3 million in the R&D of cloud-based ManuVision and MatrixVision platforms into open ecosystems. See “Future Plans and Use of Proceeds.”



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## SUMMARY

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### Core Competencies

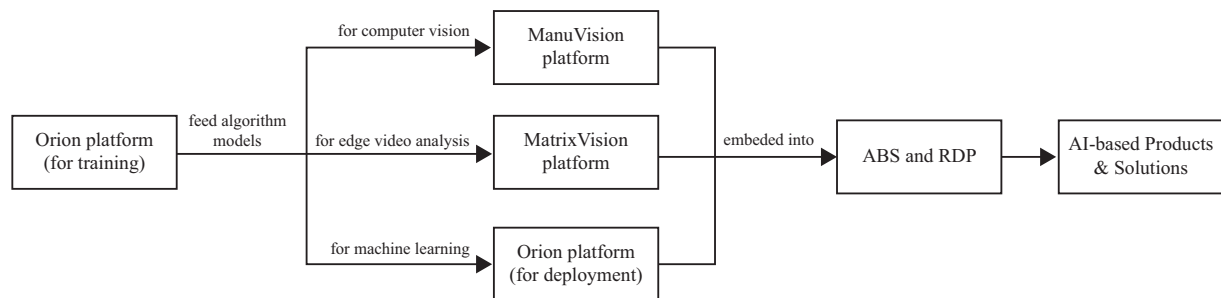
We believe the success of our business and our ability to achieve significant revenue growth since our inception has been and will continue to be driven by our core competencies, as we continue to differentiate ourselves from our competitors in (i) strategic industry positioning and knowhow, (ii) strong technology and solution capabilities, and (iii) effective go-to-market strategies. See “Business – Core Competencies” for details.

Our AI-based products and solutions can significantly enhance business values for our customers in manufacturing, financial services as well as other industries:

- **AI + Manufacturing.** Leveraging our AI capabilities in industrial vision, industrial cloud platform and industrial automation, we currently provide customers with AI-based products and solutions for various verticals. Our AI-based products and solutions primarily help customers optimize their business or production process, reduce costs, improve operational efficiency and manufacturing flexibility, and realize intelligent transformation of their business operations and information management.
- **AI + Financial Services.** According to Frost & Sullivan, AI solutions providers can help financial institutions to enhance and maintain high reliability, availability and security of information and data systems. Our AI-based products and solutions for financial services industry are applied to intelligent data center infrastructure and operation, intelligent hybrid cloud management and intelligent data governance and application with an aim to help financial institutions enhance reliability of their IT infrastructure which in effect enhances market competitiveness.
- **AI + Other Industries.** We also serve the customers in other industries, such as retail, information technology and others, with AI-based products and solutions to automate certain aspects of their operations, such as their supply chain management, and optimize information management.

The development of our AI platforms and AI-based products and solutions are underpinned by our strong R&D capabilities. Our continuous investments in R&D activities result in a wealth of intellectual properties. As of the Latest Practicable Date, we have applied for 634 AI-related patents, and successfully registered 126 AI-related patents, including 79 invention patents.

The diagram below illustrates the relationships between our three proprietary AI platforms:



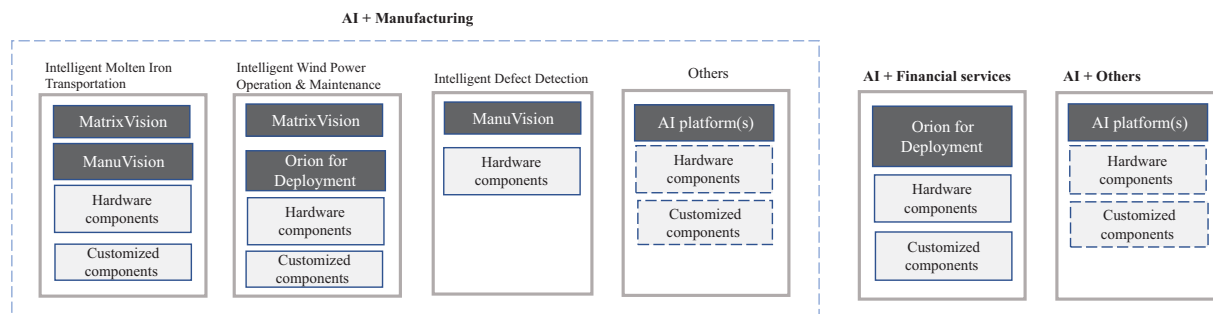
Our Orion platform is used by our in house algorithm engineers to train mainly three types of algorithms model, namely (i) computer vision algorithm models for defects detection, object locating, characters or codes recognition and size measuring; (ii) edge video analysis algorithm models for

## SUMMARY

understanding videos; and (iii) machine learning algorithm models on structured data for intelligent prediction, and smart decision. These algorithm models can then be transferred to any of our three AI platform for project delivery and run on-site for our customers (i.e. private deployment). For instance, imagery processing algorithm models are fed to our ManuVision platform while video processing algorithm models are fed to our MatrixVision platform.

Our ManuVision platform is a machine vision inspection software system that is embedded into our ABS and RDP, such that it operates on-site for our customers. It is designed to process imageries and can locate, measure, detect, and recognize various objects, including common defects and key metrics. Our MatrixVision platform is typically paired with our proprietary edge computing devices, such that it can perform tasks such as video stream decoding and real-time inference for understanding videos. Such algorithm models are then developed into our portfolio of ABS and RDP by embedding our proprietary platforms and are paired with compatible hardware, such as panel defect detection and radar inspection capabilities in our solution offerings.

The diagram below illustrates how such components are integrated into some of our AI-based products and solutions:



During the Track Record Period, we applied these modules and built specific applications for our customers:

Industry	Industry Verticals	Selective Applications	Representative End-Users
AI + Manufacturing	<ul style="list-style-type: none"> <li>Iron and steel metallurgy</li> <li>Engineering and construction</li> <li>Energy and power</li> <li>OLED panel manufacturing</li> <li>Automotive equipment</li> <li>High-tech/3C</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Molten Iron Transportation</li> <li>Intelligent Engineering Radar Inspection</li> <li>Intelligent Wind Power Operation and Maintenance</li> <li>Intelligent Defect Detection</li> <li>Intelligent Automotive Equipment Manufacturing</li> <li>Intelligent Liquid Crystal Semiconductor Production</li> </ul>	<ul style="list-style-type: none"> <li>Steel manufacturers</li> <li>Construction companies</li> <li>Power plant operators</li> <li>OLED panel manufacturers</li> <li>Automobile and motorcycle manufacturers</li> <li>Electronic products manufacturers</li> </ul>
AI + Financial Services	<ul style="list-style-type: none"> <li>Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Data Center Infrastructure and Operation</li> </ul>	<ul style="list-style-type: none"> <li>Insurance companies</li> </ul>

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## SUMMARY

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Industry	Industry Verticals	Selective Applications	Representative End-Users
AI + Other industries	<ul style="list-style-type: none"> <li>• Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Intelligent Hybrid Cloud Management</li> <li>• Intelligent Data Governance and Application</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial banks</li> </ul>
	<ul style="list-style-type: none"> <li>• Retail</li> <li>• Telecommunications</li> </ul>	<ul style="list-style-type: none"> <li>• Smart Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>• Retailers</li> <li>• Mobile telecommunications corporations</li> </ul>
	<ul style="list-style-type: none"> <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>• Intelligent Data Center Infrastructure and Operation</li> </ul>	<ul style="list-style-type: none"> <li>• Data center operators</li> </ul>

### OUR STRENGTHS

We believe the following competitive strengths contribute to our success: (i) fast-growing enterprise AI solutions provider with strong innovation and research capabilities; (ii) proprietary AI platforms; (iii) industry-leading AI-based products and solutions; (iv) proven commercialization capabilities with effective go-to-market strategies; (v) growing high-quality and loyal customer base; and (vi) a veteran management team led by industry leaders with extensive enterprise services experiences and industry insights.

### OUR STRATEGIES

We will focus on the following key strategies to achieve our mission and vision: (i) continue to optimize our AI platforms and strengthen our R&D capabilities; (ii) continue to grow and enrich our solution offerings; (iii) continue to enhance our commercialization capabilities; (iv) continue to broaden our customer base and deepen the relationships with customers; and (v) continue to pursue strategic investments and acquisitions that strengthen our market position.

### OUR CUSTOMERS AND SUPPLIERS

Our customers include both end-users and system integrators in manufacturing, financial services and other industries while the majority of our top customers are system integrators. System integrators are primarily information technology service providers engaged by the end-users to procure IT products or services/integration and management services. Many end-users of our AI-based products and solutions engage the service of system integrators when selecting suppliers or service providers, instead of negotiating with a large number of different suppliers and service providers. Accordingly, we engaged in contracts with these system integrators. As a result, during the Track Record Period, majority of our top customers are system integrators. During the Track Record Period, we had a total of 50, 150, 157 and 130 customers respectively in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

The number of our customers in the manufacturing industry increased significantly from 16 in 2018 to 93 in 2020, and further from 66 in the nine months ended September 30, 2020 to 71 in the nine months ended September 30, 2021. The number of our customers in the financial services industry increased from two in 2018 to 18 in 2020, and remained stable at 12 in the nine months ended September 30, 2020 and 2021. Revenue generated from our largest customer in the Track Record

## SUMMARY

Period accounted for approximately 9.8%, 7.2%, 11.6% and 14.0%, respectively, of our total revenues during each of the relevant year/period. Revenue generated from our five largest customers in the Track Record Period accounted for approximately 38.8%, 29.3%, 42.1% and 44.3%, respectively, of our total revenues during each of the relevant year/period.

The following table sets forth the details of premium customers and our customers during the Track Record Period:

	Period from February 6, to December 31,	Year ended December 31,		Nine Months Ended September 30,
	2018	2019	2020	2021
Number of premium customers .....	—	13	23	N/A <sup>(1)</sup>
Premium customer revenue (RMB in thousands) .....	—	114,163	381,255	N/A <sup>(1)</sup>
Percentage of revenue contribution by premium customers .....	—	49.8%	82.5%	N/A <sup>(1)</sup>
Premium customer dollar based repeating rate <sup>(2)</sup> .....	N/A	N/A	112.7%	N/A <sup>(1)</sup>
Total number of customers .....	50	150	157	130
Total revenue (RMB in thousands) .....	37,208	229,141	462,324	553,015

*Notes:*

- (1) As premium customers are defined as customers with revenue contribution of RMB4.5 million or more in a financial year, the metrics around premium customers for the nine months ended September 30, 2021 are not available.
- (2) Premium customer dollar based repeating rate is calculated as the revenue of the current financial year from all premium customers in the prior financial year, divided by revenue from such customers in that prior financial year. The rate is subject to adjustments for acquisitions, consolidations, spinoffs, and other market activity

Our major suppliers are suppliers of hardware components, technical services providers and contract manufacturers. During the Track Record Period, our five largest suppliers contributed a total of 75.8%, 30.6%, 32.9% and 43.9% of our total purchases for each of the relevant year/period, respectively. Our largest supplier accounted for 21.0%, 8.3%, 13.0% and 18.5% of our total purchases for each of the same periods, respectively.

### PRICING POLICY

We have developed a standardized pricing reference for our sales team, with different pricing policies for (i) full-stack solutions and (ii) provision of services. Specifically:

- **Full-stack solutions.** We price such solutions primarily with cost-based method. In particular, as we procure certain elements of our full-stack solutions, such as hardware components and certain software products from our suppliers, we will evaluate the relevant procurement costs and adopt the cost-based method. As we also develop some other customization components in house, we will assess the complexity of such customization. For cloud-based products and services, we design different types of usage-based pricing models, such as subscription fee for fixed term, and pay as you go, which charge our customers per transaction.
- **Provision of services.** As the scope of services is evaluated based on customers' specific needs, we typically evaluate and provide the statement of work and fee quote accordingly. In particular, as we procure certain software products from our suppliers, we will evaluate the relevant procurement costs and adopt the cost-based method. As we also develop some

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## SUMMARY

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other customization components in house and provide the provision of services, we will assess the complexity of such customization and scope of service.

See “Business – Sales and Marketing – Pricing.”

### COMPETITIVE LANDSCAPE

The AI solutions industry in which we operate is highly competitive. We primarily compete with other companies that focus on developing and commercializing AI technologies. With respect to each industry vertical that we have entered into, we also compete against existing traditional solution providers which are not AI focused in such vertical. As many end-users engage the service of system integrators when selecting suppliers or service providers instead of negotiating with a large number of different suppliers or service providers, we engaged in contracts with these system integrators and mainly acted as a subcontractor to these system integrators during the Track Record Period. Therefore, we also face potential competition from other suppliers and service providers also acting as subcontractors to these system integrators. We may also in the future face competition from new entrants that will increase the level of competition. Furthermore, we may face potential competition from global technology companies that seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of, AI companies in China. See “Industry Overview” for more details of the competitive landscape.

### RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include:

- The AI industries in which we operate are characterized by constant changes. If we fail to continuously improve our technology and provide innovative solutions that meet the expectations of our customers, our business, financial condition and results of operations may be materially and adversely affected.
- The AI solutions industries in which we operate are highly competitive and fragmented, and we face competition in several major aspects of our business. If we fail to compete successfully against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.
- AI technologies are constantly evolving. Any flaws or misuse of the AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.
- We have a limited operating history, which makes it difficult to evaluate our business and future prospects.
- We are investing heavily in our R&D efforts, which may negatively impact our profitability and operating cash flow in the future and may not generate the results we expect to achieve.
- If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

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## SUMMARY

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- If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.
- We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.

### OUR SINGLE LARGEST SHAREHOLDERS GROUP

As of the Latest Practicable Date, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning together held approximately 30.01% (26.24%, 1.68%, 1.68% and 0.42%, respectively) of the issued share capital of our Company. Sinovation Ventures and Sinovation Venture Yucheng are collectively controlled by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying pursuant to a concert party agreement among themselves. Sinovation Ventures, Sinovation Venture Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company's Shareholders meetings and board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Single Largest Shareholders Group will be interested in approximately 27.61% (24.14%, 1.54%, 1.54% and 0.39%) of our enlarged issued share capital, and our Company will not have any controlling shareholder upon completion of the Global Offering. See "Relationship with Our Single Largest Shareholders Group" for further details.

### CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the Global Offering which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in Relation to Non-exempt Continuing Connected Transactions" for further details.

### PRE-IPO INVESTMENTS

We have conducted several rounds of equity financing in the past few years. See "History and Corporate Structure — Pre-IPO Investments" for details.

### EMPLOYEE INCENTIVE SCHEME

To incentivize the management team, retain talent and promote its long-term sustainable development, we have adopted a series of share incentive schemes since 2018. On March 31, 2021, an updated employee incentive scheme was adopted as an amendment, restatement and consolidation of the previous rounds of share incentive schemes. See "Appendix VII — Statutory and General Information — D. Employee Incentive Scheme" for further details.

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## SUMMARY

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### U.S. EXPORT CONTROL

We had transactions with certain companies on the Entity List (Supplement No. 4 to 15 CFR Part 744) since 2019. In order to comply with the EAR, 15 CFR parts 730-770, we conducted a review of the items we purchased from and services we provided to these companies after the Entity List restrictions took effect. In 2019, 2020 and the six months ended June 30, 2021, our procurement from the companies on the Entity List primarily included cameras, webcams and smart vending machines. Our legal advisor is of the view that the items and scope of services we procured from our suppliers on the Entity List during the Track Record Period and up to the Latest Practicable Date did not violate any applicable restrictions of the EAR, given that (1) such suppliers did not act as a purchaser, end-user, intermediate consignee, or ultimate consignee of such items and accordingly did not trigger the relevant Entity List restrictions under the EAR, and (2) our suppliers on the Entity List have confirmed that such items were not subject to the EAR, and accordingly were not subject to the applicable EAR restrictions in the first instance. We anticipate that we will continue to engage in transactions with the suppliers who are on the Entity List upon Listing without being in violation of applicable restrictions of the EAR.

In 2020, we entered into a contract with a company on the Entity List, which included provision of software compatibility testing service to such entity. Our legal advisor is of the view that the scope of services we provided to our customer on the Entity List during the Track Record Period and up to the Latest Practicable Date did not violate any applicable restrictions of the EAR, as the relevant provision of service did not require a BIS license and were not subject to the applicable EAR restrictions in the first instance. As such, we believe that (i) the items or scope of services involved in the transaction with our customer who is listed on the Entity List are not subject to the EAR; and (ii) we did not violate the imposed restrictions under the EAR with respect to the transactions with the relevant companies on the Entity List during the Track Record Period and up to the Latest Practical Date. See “Business — The U.S. Export Control Laws and Regulations” for more 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 sets 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 Income

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

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
	(RMB in thousands)				
<b>Revenue</b> .....	37,208	229,141	462,324	297,639	553,015
Cost of sales .....	(13,823)	(157,528)	(327,703)	(212,367)	(382,091)
<b>Gross profit</b> .....	23,385	71,613	134,621	85,272	170,924
Selling and distribution expenses .....	(20,678)	(75,965)	(60,410)	(39,216)	(91,407)
General and administrative expenses .....	(49,707)	(126,873)	(195,186)	(125,348)	(311,085)
R&D expenses .....	(28,681)	(113,296)	(181,538)	(114,391)	(176,534)
Net impairment losses on financial assets .....	(855)	(5,496)	(18,950)	(5,176)	(20,905)
Other income .....	6,856	27,125	34,952	21,650	14,421
Other gains/(losses), net .....	143	936	(290)	(425)	(1,045)
<b>Operating loss</b> .....	(69,537)	(221,956)	(286,801)	(177,634)	(415,631)
Finance costs .....	(2,587)	(35,599)	(83,111)	(53,248)	(35,324)
Finance income .....	979	9,499	9,449	6,228	15,507
<b>Loss before income tax</b> .....	(71,145)	(248,056)	(360,463)	(224,654)	(435,448)
Income tax expense .....	(29)	(303)	(172)	(8,356)	(2,571)
<b>Loss for the period/year</b> .....	<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>
<b>Loss for the period/year attributable to:</b>					
Owners of the Company .....	(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Non-controlling interests .....	(513)	(4,132)	364	1,945	(2,531)
	<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>

#### Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss 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 combined results of operations in the same manner as they help our management. However, our presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

## SUMMARY

We define adjusted net loss as net loss for the period/year adjusted by adding back share-based payment expenses, finance cost of financial liabilities of redeemable shares and listing expenses. The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net loss for the period/year:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
		(RMB in thousands)			
<b>Reconciliation of net loss to adjusted net loss</b>					
Loss for the period/year	(71,174)	(248,359)	(360,635)	(233,010)	(438,019)
Add:					
Share-based payment expenses <sup>(1)</sup>	23,339	53,230	133,750	93,691	295,585
Finance cost of financial liabilities of redeemable shares <sup>(2)</sup>	2,457	35,158	82,406	52,729	34,877
Listing expenses <sup>(3)</sup>	—	—	—	—	26,558
<b>Adjusted net loss (Unaudited)<sup>(4)</sup></b>	<b><u>(45,378)</u></b>	<b><u>(159,971)</u></b>	<b><u>(144,479)</u></b>	<b><u>(86,590)</u></b>	<b><u>(80,999)</u></b>

*Notes:*

- (1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.
- (2) Finance cost of financial liabilities of redeemable shares represents interest on our Series Angel, Series A, Series A+, Series B, Series B+ and Series C investments which is calculated according to the present value of the redemption amount. Upon the waiver of special rights (e.g. redeemable rights against our Company, liquidation preference and anti-dilution rights) on March 30, 2021, the redeemable shares in connection with such investments had been converted into equity of our Company and subsequently no interest would accrue.
- (3) Listing expenses mainly relate to the Global Offering.
- (4) A non-IFRS measure.

Our net losses were primarily due to the significant amounts of general and administrative expenses and R&D expenses incurred during the Track Record Period. Our net losses increased from RMB71.2 million in 2018 to RMB248.4 million in 2019 and further increased to RMB360.6 million in 2020, and increased from RMB233.0 million in the nine months ended September 30, 2020 to RMB438.0 million in the nine months ended September 30, 2021, primarily due to the increase in our general and administrative expenses and R&D expenses. As a result, we had accumulated losses of RMB70.7 million, RMB314.9 million, RMB675.9 million and RMB701.8 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. Our adjusted net loss were also primarily due to the significant amounts of general and administrative expenses and R&D expenses incurred during the Track Record Period. Our adjusted net loss increased from RMB45.4 million in 2018 to RMB160.0 million in 2019, primarily due to the increase in the net loss during the same periods, driven by the increase in R&D expenses and general and administrative expenses as we incurred significant amount operating expenses to acquire talents and staff and invest in R&D activities when we were at the early stage of business development. Our adjusted net loss remained relatively stable at RMB86.6 million in the nine months ended September 30, 2020 and RMB81.0 million in the nine months ended September 30, 2021.

## SUMMARY

### Revenue

#### *By Industry Verticals*

The table below sets forth our revenue breakdown by our AI-based products and solutions applied in industry verticals for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)									
<b>Manufacturing</b> . . . . .	<b>13,636</b>	<b>36.6</b>	<b>78,429</b>	<b>34.2</b>	<b>193,098</b>	<b>41.8</b>	<b>80,153</b>	<b>26.9</b>	<b>281,095</b>	<b>50.8</b>
Automotive equipment . . . . .	238	0.6	1,956	0.9	2,382	0.5	981	0.3	116,358	21.0
High-tech/3C . . . . .	4,140	11.1	17,491	7.6	36,504	7.9	11,403	3.8	77,846	14.1
OLED panel manufacturing . . . . .	—	—	—	—	36,527	7.9	-	-	13,539	2.4
Engineering and construction . . . . .	—	—	1,887	0.8	4,044	0.9	1,968	0.7	1,877	0.3
Iron and steel metallurgy . . . . .	—	—	5,165	2.3	31,418	6.8	188	0.1	17,354	3.1
Energy and power . . . . .	—	—	—	—	19,240	4.2	19,017	6.4	4,667	0.8
Others <sup>(1)</sup> . . . . .	9,258	24.9	51,930	22.7	62,983	13.6	46,596	15.6	49,454	9.1
<b>Financial services</b> . . . . .	<b>5,356</b>	<b>14.4</b>	<b>53,539</b>	<b>23.4</b>	<b>183,520</b>	<b>39.7</b>	<b>151,577</b>	<b>50.9</b>	<b>192,803</b>	<b>34.9</b>
Banking . . . . .	—	—	17,365	7.6	40,120	8.7	10,221	3.4	100,077	18.1
Insurance . . . . .	3,632	9.8	28,736	12.5	117,145	25.3	115,226	38.7	17,727	3.2
Others <sup>(2)</sup> . . . . .	1,724	4.6	7,438	3.2	26,255	5.7	26,130	8.8	74,999	13.6
<b>Other industries<sup>(3)</sup></b> . . . . .	<b>18,216</b>	<b>49.0</b>	<b>97,173</b>	<b>42.4</b>	<b>85,706</b>	<b>18.5</b>	<b>65,909</b>	<b>22.2</b>	<b>79,117</b>	<b>14.3</b>
<b>Total</b> . . . . .	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

*Notes:*

- (1) Others mainly include textile manufacturing, food production, communication equipment manufacturing and other verticals in manufacturing industry.
- (2) Others mainly include asset management, securities and other verticals in financial services industry.
- (3) Other industries mainly include retail, information technology and other industries excluding manufacturing and financial services industries.

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)									
Sales of products and solutions . . . . .	36,545	98.2	224,408	97.9	451,726	97.7	291,403	97.9	541,927	98.0
Services of data solutions . . . . .	663	1.8	4,733	2.1	10,598	2.3	6,236	2.1	11,088	2.0
<b>Total</b> . . . . .	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

## SUMMARY

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
System integrators . . . . .	5,705	15.3	136,407	59.5	351,428	76.0	214,105	71.9	407,277	73.6
End-users . . . . .	31,503	84.7	92,734	40.5	110,896	24.0	83,534	28.1	145,738	26.4
<b>Total . . . . .</b>	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

Our revenue increased from RMB37.2 million in 2018 to RMB229.1 million in 2019 and further increased to RMB462.3 million in 2020, and increased from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021. We generated substantially all of our revenue from enterprise customers. Our revenue generated from customers (excluding SOEs) accounted for 99.9%, 96.2%, 88.5% and 82.6% of our total revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. The increase in the revenue was primarily driven by the increased customer base as well as the increase in average revenue per customer in manufacturing and financial services industries during the Track Record Period. The average revenue per customer of manufacturing industry increased from RMB0.9 million in 2018 to RMB1.3 million in 2019, and further increased to RMB2.1 million in 2020, as well as increased from RMB1.2 million in the nine months ended September 30, 2020 to RMB4.0 million in the nine months ended September 30, 2021. The average revenue per customer of financial services industry increased from RMB2.7 million in 2018 to RMB3.3 million in 2019, and further increased to RMB10.2 million in 2020, as well as increased from RMB12.6 million in the nine months ended September 30, 2020 to RMB16.1 million in the nine months ended September 30, 2021. See “Financial Information – Description of Major Components of our Results of Operations – Revenue.”

### Gross Profit and Gross Margin

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
<b>Manufacturing . . . . .</b>	<b>8,290</b>	<b>60.8</b>	<b>30,506</b>	<b>38.9</b>	<b>65,018</b>	<b>33.7</b>	<b>30,989</b>	<b>38.7</b>	<b>94,813</b>	<b>33.7</b>
Automotive equipment . . . . .	138	58.0	1,261	64.5	1,143	48.0	382	38.9	42,841	36.8
High-tech/3C . . . . .	1,638	39.6	8,323	47.6	12,383	33.9	6,049	53.0	25,855	33.2
OLED panel manufacturing . . . . .	—	—	—	—	10,904	29.9	—	—	1,482	10.9
Engineering and . . . . .	—	—	—	—	—	—	—	—	—	—
construction . . . . .	—	—	1,652	87.5	797	19.7	483	24.5	710	37.8
Iron and steel metallurgy . . . . .	—	—	2,360	45.7	10,272	32.7	129	68.6	6,278	36.2
Energy and power . . . . .	—	—	—	—	3,983	20.7	3,907	20.5	1,734	37.2
Others . . . . .	6,514	70.4	16,910	32.6	25,536	40.5	20,039	43.0	15,913	32.2
<b>Financial services . . . . .</b>	<b>4,194</b>	<b>78.3</b>	<b>16,513</b>	<b>30.8</b>	<b>51,192</b>	<b>27.9</b>	<b>41,596</b>	<b>27.4</b>	<b>55,261</b>	<b>28.7</b>
Banking . . . . .	—	—	3,916	22.6	9,581	23.9	1,588	15.5	22,762	22.7
Insurance . . . . .	2,849	78.4	9,136	31.8	39,678	33.9	38,201	33.2	10,116	57.1
Others . . . . .	1,345	78.0	3,461	46.5	1,933	7.4	1,807	6.9	22,383	29.8
<b>Other industries . . . . .</b>	<b>10,901</b>	<b>59.8</b>	<b>24,594</b>	<b>25.3</b>	<b>18,411</b>	<b>21.5</b>	<b>12,687</b>	<b>19.2</b>	<b>20,850</b>	<b>26.4</b>
<b>Total/Overall . . . . .</b>	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

## SUMMARY

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)									
Sales of products and services . . . . .	22,895	62.6	68,772	30.6	126,847	28.1	80,783	27.7	163,091	30.1
Services of data solutions . . .	490	73.9	2,841	60.0	7,774	73.4	4,489	72.0	7,833	70.6
<b>Total/Overall . . . . .</b>	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)									
System integrators . . . . .	4,577	80.2	37,724	27.7	109,619	31.2	68,126	31.8	125,149	30.7
End-users . . . . .	18,808	59.7	33,889	36.5	25,002	22.5	17,416	20.5	45,775	31.4
<b>Total/Overall . . . . .</b>	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

Our gross profit increased from RMB23.4 million in 2018 to RMB71.6 million in 2019 and further increased to RMB134.6 million in 2020, and increased from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021. The growth were primarily due to the increase in our revenue from our AI-based products and solutions applied in manufacturing and financial services industries. Our gross margin decreased from 62.9% in 2018 to 31.3% in 2019 and 29.1% in 2020, primarily because (i) our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst those sold since 2019 were primarily software and hardware integrated solutions involving more hardware components, which generally entailed comparatively lower gross margins than our software-based solutions, and (ii) we offered competitive pricing when tendering large scale projects to expand our customer base in manufacturing and financial services industries as well as enable us to accumulate experience in serving relevant customers, continuously accumulate technology assets and improve features of our products. Certain solutions involving more hardware components generally incurred more material cost than software-based solutions. Our material costs increased from RMB1.7 million in 2018 to RMB74.6 million in 2019, and further increased to RMB217.2 million in 2020. Our gross margin remained relatively stable at 28.6% in the nine months ended September 30, 2020 and 30.9% in the nine months ended September 30, 2021.

Our gross margin attributable to system integrators decreased from 80.2% in 2018 to 27.7% in 2019, primarily because our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst those sold since 2019 were primarily software and hardware integrated solutions involving more hardware components according to customers' requirements, which generally entailed comparatively lower gross margins than our software-based solutions. Our gross margin attributable to system integrators remained relatively stable at 27.7%, 31.2%, 31.8% and 30.7% in 2019, 2020 and the

## SUMMARY

nine months ended September 30, 2020 and September 30, 2021. See “Financial Information – Description of Major Components of our Results of Operations – Gross Profit and Gross Margin.”

### Selected items from the 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,			As of
	2018	2019	2020	September 30, 2021
	(RMB in thousands)			
<b>Non-current assets</b>				
Property, plant and equipment	23,730	49,587	57,488	80,051
Right-of-use assets	7,631	11,088	13,843	9,054
Intangible assets	1,017	810	603	651
Financial assets at fair value through other comprehensive income	—	118	106	—
Other non-current assets	7,005	1,599	1,322	4,082
<b>Total non-current assets</b>	<u>39,383</u>	<u>63,202</u>	<u>73,362</u>	<u>93,838</u>
<b>Current assets</b>				
Inventories	3,043	32,327	55,310	43,359
Prepayments and other receivables	3,594	23,190	27,329	46,833
Trade and notes receivables	16,241	120,737	189,554	296,353
Financial assets at fair value through other comprehensive income	—	6,446	3,937	27,093
Financial assets at fair value through profit or loss	14,000	—	—	—
Amounts due from related parties	100	2	2,321	8,606
Restricted cash	7,447	2,979	1,491	206
Cash and cash equivalents	74,396	605,631	1,042,502	1,654,623
<b>Total current assets</b>	<u>118,821</u>	<u>791,312</u>	<u>1,322,444</u>	<u>2,077,073</u>
<b>Non-current liabilities</b>				
Lease liabilities	6,557	6,595	9,457	7,116
Financial liabilities of redeemable shares	50,650	826,808	1,659,214	—
Other non-current liabilities	39,143	55,387	48,459	38,987
<b>Total non-current liabilities</b>	<u>96,350</u>	<u>888,790</u>	<u>1,717,130</u>	<u>46,103</u>
<b>Current liabilities</b>				
Lease liabilities	1,597	4,633	5,233	3,712
Trade and notes payables	12,881	64,828	63,199	127,209
Contract liabilities	2,029	9,685	38,440	29,082
Other payables and accruals	22,122	34,738	84,900	82,434
Amounts due to related parties	177	14,703	931	773
Current income tax liabilities	29	303	—	567
<b>Total current liabilities</b>	<u>38,835</u>	<u>128,890</u>	<u>192,703</u>	<u>243,777</u>
<b>Net current assets</b>	<u>79,986</u>	<u>662,422</u>	<u>1,129,741</u>	<u>1,833,296</u>
<b>Non-controlling interests</b>	<u>3,487</u>	<u>8,755</u>	<u>3,885</u>	<u>6,254</u>
<b>Total equity/(deficits)</b>	<u>23,019</u>	<u>(163,166)</u>	<u>(514,027)</u>	<u>1,881,031</u>

Our net current assets increased by 62.3% from RMB1,129.7 million as of December 31, 2020 to RMB1,833.3 million as of September 30, 2021. The change was primarily due to (i) the increase of RMB612.1 million in cash and cash equivalents, and (ii) the increase of RMB106.8 million in trade and notes receivables, partially offset by (i) the increase of RMB64.0 million in trade and notes payables, and (ii) the decrease of RMB12.0 million in inventories.

Our net current assets increased by 70.5% from RMB662.4 million as of December 31, 2019 to RMB1,129.7 million as of December 31, 2020, primarily due to (i) the increase of RMB436.9 million



## SUMMARY

in cash and cash equivalents, and (ii) the increase of RMB68.8 million in trade and notes receivables, partially offset by (i) the increase of RMB50.2 million in other payables and accruals, and (ii) the increase of RMB28.8 million in contract liabilities.

Our net current assets increased by 728.0% from RMB80.0 million as of December 31, 2018 to RMB662.4 million as of December 31, 2019, primarily due to (i) the increase of RMB531.2 million in cash and cash equivalents, and (ii) the increase of RMB104.5 million in trade and notes receivables, partially offset by (i) the increase of RMB51.9 million in trade and notes payables, and (ii) the increase of RMB14.5 million in amounts due to related parties.

We had net liabilities of RMB163.2 million and RMB514.0 million as of December 31, 2019 and 2020, respectively. Our net liabilities position as of December 2019 and 2020 were primarily due to the financial liabilities recorded in connection with our redeemable shares. On March 30, 2021, pursuant to the agreement among shareholders, shareholders with redeemable shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve. Therefore, we do not expect to recognize any further loss or gain from change of the present value of redemption amount.

### Selected items from the Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
	(RMB in thousands)				
Operating loss before changes in working capital . . . . .	(44,599)	(153,185)	(111,256)	(62,056)	(78,006)
Working capital changes . . . . .	40,727	(45,272)	(71,387)	(84,422)	(109,883)
Interest received and/or income taxes (paid) . . . . .	979	9,470	8,438	5,217	13,503
Net cash used in operating activities . . . . .	(2,893)	(188,987)	(174,205)	(141,261)	(174,386)
Net cash used in investing activities . . . . .	(41,606)	(18,955)	(19,233)	(17,447)	(36,334)
Net cash generated from/(used in) financing activities . .	118,895	739,177	630,309	(31,536)	828,591
Net increase/(decrease) in cash and cash equivalents . . .	74,396	531,235	436,871	(190,244)	617,871
Exchange losses on cash and cash equivalents . . . . .	—	—	—	—	(5,750)
Cash and cash equivalents at the end of the period/year . . . . .	74,396	605,631	1,042,502	415,387	1,654,623

We recorded net operating cash outflows of RMB2.9 million, RMB189.0 million and RMB174.2 million and RMB174.4 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively, mainly due to our loss before income tax. Taking into account the available financial resources, including our cash and cash equivalents as of September 30, 2021, and the cashflow from our operating activities, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus. We expect to optimize our net operating cash outflows position by taking advantage of (i) increasing revenue growth of our AI-based products and solutions offerings in manufacturing and financial services industries; (ii) increasing revenue per customer leveraging our effective go-to-market strategy; and (iii) improving operating efficiency leveraging our economies of scale as we expect our selling and marketing expenses, R&D expenses and general and administrative expenses would not increase proportionately to the growth of our total revenue, which will further improve our net operating cash outflows position. See “Business – Business Sustainability” for more details.



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## SUMMARY

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### BUSINESS SUSTAINABILITY

We have experienced robust business growth during the Track Record Period. As we have been focused on growing our customer base via investing in our AI technologies and commercializing such technologies into a portfolio of products and services, rather than seeking immediate financial returns or profitability, we laid a solid foundation for long-term sustainability. Despite our continued increase in customer base, we may continue to incur net losses and net operating cash outflow in the foreseeable future. The Directors expect that the amount of capital required to substantiate our operation and business expansion plan is estimated to amount to over RMB800.0 million before generating positive net operating cash flow (less capital expenditure), which will be financed by the net proceeds from the Pre-IPO Investments and the Global Offering.

Benefiting from the solid foundation we have built and the momentum we have achieved, our Directors believe we are able to maintain sustainability and growth of our business. Going forward, we plan to achieve profitability primarily with the following robust measures and basis: (i) maintain our scalable and efficient business model enabling sustainable growth; (ii) drive growth of customer base and increase spending of our customers; (iii) enrich and expand our AI-based products and solutions; (iv) our ability to further improve our results of operations; and (v) solid track record in asset position and continue to improve cash flow position. As demonstrated during the Track Record Period, the above measures have proven to be generally effective in achieving enhanced economies of scale and cost-efficiency. See “Business – Business Sustainability.”

### KEY FINANCIAL RATIOS

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

	Period from February 6, to December 31,		Year ended December 31,		Nine months ended September 30,
	2018	2019	2020	2021	
<b>Revenue growth</b> .....	N/A	515.9%	101.8%	85.8%	
Manufacturing .....	N/A	476.5%	146.3%	250.5%	
Financial services .....	N/A	890.7%	243.0%	27.2%	
Others .....	N/A	434.1%	(11.8)%	20.0%	
<b>Gross margin<sup>(1)</sup></b> .....	62.9%	31.3%	29.1%	30.9%	
	As of December 31,			As of September 30,	
	2018	2019	2020	2021	
<b>Current ratio<sup>(2)</sup></b> .....	3.1	6.1	6.9	8.5	
<b>Quick ratio<sup>(3)</sup></b> .....	3.0	5.9	6.6	8.3	

*Notes:*

- (1) Gross margin is calculated by dividing gross profit by our revenue.
- (2) Current ratio is calculated by dividing current assets by current liabilities.
- (3) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be converted from Domestic Shares and Unlisted Foreign Shares and to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) and Rule 8.05A of the Listing Rules.

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## SUMMARY

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### GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 44,744,400 Offer Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised.

	<u>Based on an Offer Price of HK\$26.30 per H Share</u>	<u>Based on an Offer Price of HK\$27.30 per H Share</u>
Market capitalization of our H Shares <sup>(1)</sup> . . . . .	HK\$14,709.7 million	HK\$15,269.0 million
Unaudited pro forma adjusted net tangible assets per H Share <sup>(2)</sup> . . . . .	HK\$6.07	HK\$6.15

*Notes:*

- (1) The calculation of market capitalization is based on 559,304,838 H Shares expected to be in issue immediately upon completion of the Global Offering, without taking into account any allotment and issuance of H Shares upon exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted net tangible asset per Share as of September 30, 2021 is calculated after making the adjustments referred to in Appendix II.

For the calculation of the unaudited pro forma adjusted net tangible asset value per H Share, see “Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in Appendix II.

### LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2021

We have prepared the following loss estimate for the year ended December 31, 2021.

Estimated consolidated loss attributable to owners of our Company for the year ended December 31, 2021 <sup>(1)</sup>	Not more than RMB654 million (approximately HK\$801 million) <sup>(2)</sup>
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*Notes:*

- (1) The bases on which the above loss estimate has been prepared are summarized in Part A of Appendix III to this prospectus. Our Directors have prepared the estimated consolidated loss attributable to owners of our Company for the year ended December 31, 2021 based on the audited consolidated results for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of our Group for the two months ended November 30, 2021 and an estimate of the consolidated results of our Group for the remaining one month ended December 31, 2021. The Loss Estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as set out in Note 2 to the Accountant’s Report in Appendix I to this prospectus.
- (2) The estimated consolidated loss attributable to owners of our Company stated in RMB are converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8171. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

### 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\$107.4 million (including (i) underwriting commission of approximately RMB29.4 million, and (ii) non-underwriting related expenses of approximately RMB58.3 million, which consist of fees and expenses of legal advisors and Reporting Accountant approximately RMB39.1 million and other fees and expenses of approximately RMB19.2 million), representing approximately 9.0% of the gross proceeds from the Global Offering, (assuming an Offer Price of HK\$26.8 per Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option), of which approximately HK\$30.1 million is directly attributable to the issue of our Shares to the public and will be deducted from equity, and approximately HK\$77.3 million is expected to be expensed upon the Listing.

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## SUMMARY

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### FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$26.80 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$26.30 and HK\$27.30 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$1,091.9 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is 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 45.0% or HK\$491.4 million, for enhancing our R&D capabilities;
- Approximately 25.0% or HK\$272.9 million, enhancing our commercialization capabilities;
- Approximately 10.0% or HK\$109.2 million, for potential strategic investments and acquisitions. As of the Latest Practicable Date, we had not identified or pursued any acquisition target;
- Approximately 10.0% or HK\$109.2 million, for enhancing our internal system and upgrading our information infrastructure;
- Approximately 10.0% or HK\$109.2 million, for working capital and general corporate use.

See “Future Plans and Use of Proceeds” for more details.

### DIVIDEND POLICY

We did not declare or distribute any dividend to our Shareholders during the Track Record Period, and we do not intend to declare any dividends to our Shareholders in 2021. 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. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. See “Financial Information – Dividends and Dividend Policy.”

### 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. In response to COVID-19, including the recent recurrence of COVID-19 around the end of 2020 in China, the PRC government has imposed various measures to contain the spread. These measures have caused a decline in the business activities in the manufacturing and retail industries, which in turn has had a negative impact on the demand for our AI-based products and solutions in 2020 and our results of operations in the second half of 2020. COVID-19 has caused temporary disruptions to our business operations. The travel restriction in the first half of 2020 has temporarily prevented us from engaging with customers through in-person meetings, especially with customers of our AI-based products and solutions applied in manufacturing industry, many of whom are large and established enterprises which tend to implement more stringent COVID-19-related measures than other businesses. The pandemic has caused temporary disruption to our AI-based products and solutions applied in manufacturing and

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## SUMMARY

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financial services industries to the extent that necessary on-premise deployment, on-site meetings and technical support had to be delayed or canceled. In addition, we have experienced a temporary decrease in the demand for our AI-based products and solutions applied in retail industry, primarily due to reduced business activities of retailers.

Despite the temporary disruption caused by COVID-19, our overall operation have gradually resumed to normal since April 2020, and were able to sustain our strong growth momentum and delivered robust overall revenue growth in 2020. Our revenue increased by 101.8% from RMB229.1 million in 2019 to RMB462.3 million in 2020. Our revenue increased by 85.8% from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021. Our gross profit increased by 88.0% from RMB71.6 million in 2019 to RMB134.6 million in 2020. Our gross profit increased by 100.4% from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021. We believe that the added business value of our AI-based products and solutions, and the increased operational efficiency, accuracy, safety and reliability they deliver, are becoming more attractive against the backdrop of COVID-19 pandemic. Manufacturers and financial institutions are increasingly inclined to using our AI-based products and solutions to replace many manual tasks due to COVID-19 related restrictions. We expect this trend to continue post-pandemic, driving digitalization of business operations and the demand for quality AI solutions in the long run.

There remains significant uncertainties associated with COVID-19, including with respect to the ultimate spread of the virus, the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 pandemic presents challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations”.

### RECENT DEVELOPMENT

Our business continued to grow after the Track Record Period. Based on our unaudited management accounts, we recorded increases in revenue and gross profit in the eleven months ended November 30, 2021, compared to the revenue and gross profit in the same period of 2020, primarily due to the increased sales of our AI-based products and solutions applied in manufacturing and financial services industries.

We expect to record a substantial increase in the net loss for the year ending December 31, 2021, primarily due to the expected increase in selling and distribution expenses, general and administrative expenses and R&D expenses as a result of expected increase in employee compensation expenses and share-based payment expenses. We also expect to record significant operating cash outflow in 2021 and 2022, primarily due to expected increase in trade receivables and inventories, driven by our business growth. We have experienced robust growth during the Track Record Period. Benefiting from the solid foundation we have established and the momentums we have achieved, our Directors believe we are able to maintain sustainability and growth of our business. See “Business—Business Sustainability” for more details.

Recently, the PRC governmental authorities have promulgated, among others, the Personal Information Protection Law, Data Security Laws and Measures for Cyber Security Review to ensure

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## SUMMARY

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cybersecurity, data and personal information protection, which demonstrates that relevant laws and regulations governing such areas are developing along with the enforced and constantly tightening of relevant regulatory supervision. Specifically, the CAC had proposed the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例 (徵求意見稿)》) (the “**Draft Regulation**”) for public comments, which further provided guidance on the potential cybersecurity review scope. For details of relevant laws and regulations, please see “Regulatory Overview — Laws and Regulations related to the Protection of Cyber Security, Data and Privacy.” We and our PRC Legal Advisor are of the view that, the Measures for Cyber Security Review and the Draft Regulation will not have any material adverse effect on our business operations, the Global Offering or the Listing if the Draft Regulation is promulgated in its current draft, on the basis that (i) as disclosed in “Business—Data Privacy and Protection”, we have implemented comprehensive measures to ensure continuous regulatory compliance with relevant laws and regulations; (ii) as of the date of this prospectus, we have not received any investigation, notice, warning, or sanction from applicable government authorities (including the CAC) with regard to our business operations concerning any issues related to cybersecurity and data security; (iii) we obtained verbal confirmation from a competent authority in the PRC that we are not required to apply for cybersecurity review in relation the Global Offering and the Listing given that (a) the competent authority would not accept any application for cybersecurity review at this stage since the Draft Regulation has not come into force, and (b) we have not been involved in any data sale, data sharing, cross-border data transmission or classified data processing, the Global Offering and the Listing would not influence national security; (iv) we will continue to pay close attention to the legislative and regulatory developments in data security and comply with the latest regulatory requirements; and (v) as of the Latest Practicable Date, there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against our Group initiated by competent government authorities or third parties, that will materially and adversely affect our Group’s business operations. In addition, we have ceased the collection of data that contains personal information since July 2021 and we did not possess personal information of over one million users during the Track Record Period and up to the Latest Practicable Date.

As advised by the PRC Legal Advisor, we have been in compliance with the laws and regulations related to cyber security, data and privacy in all material respects. Further, our Directors are of the view that the recent regulatory developments will not result in any material adverse change to our Group’s business operation and financial performance after the Track Record Period and until the Listing. On the basis of the PRC Legal Advisor’s view above and the due diligence with the management of our Company, nothing has come to the attention of the Joint Sponsors which would cause them to disagree with the reasonableness of (i) the PRC Legal Advisor’s view that our Group has been in compliance with the laws and regulations related to cyber security, data and privacy in all material respects; and (ii) our Directors’ view that the recent regulatory developments will not result in any material adverse change to our Group’s business operation and financial performance after the Track Record Period and until the Listing.

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 September 30, 2021, being the end date of the periods reported in the Accountant’s Report set out in Appendix I, and there is no event since September 30, 2021 that would materially affect the information shown in the Accountant’s Report set out in Appendix I.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on June 9, 2021 which will become effective upon the Listing Date, as further amended from time to time, a summary of which is set out in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the Board of Directors of our Company
“Business Day” or “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
“CAC”	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (a) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (b) (if you are an existing CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (following the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request form



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## DEFINITIONS

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“Chuangzhi Fund”	Qingdao CICC ALPHA Chuangzhi Equity Investment Fund (Limited Partnership) (青島甲子創智股權投資基金(有限合夥)), a limited partnership established under the laws of the PRC on September 24, 2020, being one of our Pre-IPO Investors
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“China Railway No. 4”	China Railway No. 4 Civil Engineering Group Co., Ltd. (中鐵四局集團有限公司), a company incorporated under the laws of the PRC on November 10, 1986 with limited liability, and a substantial shareholder of China Railway Qizhi
“China Railway Qizhi”	China Railway Qizhi (Hefei) Technology Co., Ltd. (中鐵奇智(合肥)科技有限公司), a company incorporated under the laws of the PRC on February 2, 2021 with limited liability and held as to 51% by the Company
“Chengwei Evergreen”	Chengwei Evergreen Equity Investment Partnership (Limited Partnership) (南通成為常青股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 28, 2016, being one of our Pre-IPO Investors
“CISAI Tech”	Chongqing CISAI Technology Co., Ltd. (重慶賽迪奇智人工智能科技有限公司), a company incorporated under the laws of the PRC on March 29, 2019 with limited liability and held as to 51% by the Company
“CISDI Group”	CISDI Chongqing Information Technology Co., Ltd. (中冶賽迪重慶信息技術有限公司), a company incorporated under the laws of the PRC on October 29, 2010 with limited liability, and a substantial shareholder of CISAI Tech
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules



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## DEFINITIONS

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“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”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”, “our Company” or “the Company”	Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團股份有限公司), which was established with limited liabilities under the laws of the PRC on February 6, 2018 and converted into a joint stock limited company on May 19, 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Domestic Shares”	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EAR”	the United States Export Administration Regulations
“Employee Incentive Scheme”	the employee incentive scheme of our Company as approved on March 31, 2021, which was adopted by the Company as an amendment, restatement and consolidation of the previous rounds of share incentive schemes since 2018, to incentivize the management team, a summary of the principal terms of which is set out in “Statutory and General Information – D. Employee Incentive Scheme” in Appendix VII to this prospectus
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FRC”	the Financial Reporting Council
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited

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## DEFINITIONS

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“Group”, “our Group”, “we”, or “us”	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guohe Fund II”	Shanghai Guohe Phase II Modern Service Industry Equity Investment Fund Partnership (上海國和二期現代服務業股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 9, 2017, being one of our Pre-IPO Investors
“H Share(s)”	overseas-listed shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hefei AInnovation”	AInnovation (Hefei) Technology Co., Ltd. (創新奇智(合肥)科技有限公司), a company incorporated under the laws of the PRC on July 25, 2018 with limited liability and a wholly-owned subsidiary of the company
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“holding company(ies)”	has the meaning ascribed thereto under the Listing Rules
“Huasheng Fund”	Shenzhen Huasheng Lingxiu Equity Investment Partnership (Limited Partnership) (深圳華晟領秀股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 18, 2016, being one of our Pre-IPO Investors
“Honger Investment”	Ningbo Meishan Free Trade Port Honger Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓爾股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 22, 2017, being one of our Pre-IPO Investors

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## DEFINITIONS

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“Hongxi Investment”	Ningbo Meishan Free Trade Port Hongxi Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓熙股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 21, 2017, being one of our Pre-IPO Investors
“Hongyue Investment”	Ningbo Meishan Free Trade Port Hongyue Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓越股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 19, 2017, being one of our Pre-IPO Investors
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 4,474,600 H Shares initially being offered by our Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”)
“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 the terms and conditions set out in this prospectus, as further described in the section headed “Structure of the Global Offering”
“Hong Kong Underwriters”	the underwriters listed in the section headed “Underwriting — Hong Kong Underwriters”, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated January 14, 2022 relating to the Hong Kong Public Offering and entered into among the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters, as further described in the section headed “Underwriting”
“Hainan Lanyue”	Hainan Lanyue Enterprise Management Center (Limited Partnership) (海南攬岳企業管理中心(有限合夥)), previously known as Shanghai Lanyue Enterprise Management Center (Limited Partnership) (上海攬岳企業管理中心(有限合夥)), is a limited partnership established under the laws of the PRC on April 1, 2017, being one of our Pre-IPO Investors
“Huangshan SAIF”	Huangshan SAIF Tourism Culture Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)), a limited partnership established under the laws of the PRC on January 5, 2018, being one of our Pre-IPO Investors

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## DEFINITIONS

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“Huaxing Zhihong “	Tianjin Huaxing Zhihong Equity Investment Partnership (Limited Partnership) (天津華興志鴻股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 25, 2019, being one of our Pre-IPO Investors
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquires, are not connected persons of the Company
“International Offer Shares”	the 40,269,800 H Shares initially being offered by our Company pursuant to the International Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”) together with, where relevant, up to an additional 6,711,600 H Shares which may be issued by us pursuant to any exercise of the Over-allotment Option
“International Offering”	the offer of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering”
“International Underwriters”	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering to be entered into by among us, the Joint Global Coordinators, the Joint Bookrunners and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting”
“Innovation Zhicheng”	Qingdao Innovation Zhicheng Technology Center (Limited Partnership) (青島創新智成科技中心(有限合夥)), a limited partnership established under the laws of the PRC on May 17, 2018, being one of our Pre-IPO Investors
“Joint Bookrunners”	UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China

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	Renaissance Securities (Hong Kong) Limited, ICBC International Capital Limited, Shanxi Securities International Limited, Eddid Securities and Futures Limited, Lu International (Hong Kong) Limited, Futu Securities International (Hong Kong) Limited and Livermore Holdings Limited
“Joint Global Coordinators”	UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and China Renaissance Securities (Hong Kong) Limited
“Joint Lead Managers”	UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Renaissance Securities (Hong Kong) Limited, ICBC International Securities Limited, Shanxi Securities International Limited, Eddid Securities and Futures Limited, Lu International (Hong Kong) Limited, Futu Securities International (Hong Kong) Limited and Livermore Holdings Limited
“Joint Sponsors”	UBS Securities Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited and China Renaissance Securities (Hong Kong) Limited
“Jiaxing Yilang”	Jiaxing Yilang Kunrui Investment Management Partnership (Limited Partnership) (嘉興宜朗坤瑞投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 18, 2016, being one of our Pre-IPO Investors
“Latest Practicable Date”	January 7, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the H Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about January 27, 2022, on which the H Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented, or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and

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## DEFINITIONS

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	operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Offer Price”	HK\$27.30 per Offer Share, being the maximum subscription price in the Offer Price Range
“Minimum Offer Price”	HK\$26.30 per Offer Share, being the minimum subscription price in the Offer Price Range, subject to change as described in this prospectus
“Nanjing AIInnovation”	AIInnovation (Nanjing) Technology Co., Ltd. (創新奇智(南京)科技有限公司), a company incorporated under the laws of the PRC on July 15, 2018 with limited liability and a wholly-owned subsidiary of the Company
“Offer Price”	the final offer price per Offer Share (exclusive of the brokerage of 1.0%, the SFC transaction levy of 0.0027%, the FRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005%) of not more than the Maximum Offer Price and expected to be not less than the Minimum Offer Price, the price to be determined by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Price Range”	HK\$26.30 to HK\$27.30 per Offer Share, subject to change as described in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to any exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which we may be required to issue up to an additional 6,711,600 Shares (representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering, if any, as further described in the section headed “Structure of the Global Offering”
“PRC Company Law” or “Company Law”	the Company Law of the PRC (中華人民共和國公司法), which was first implemented on July 1, 1994 and as amended, supplemented or otherwise modified from time to time

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“Pre-IPO Investments”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History and Corporate Structure” in this prospectus
“Pre-IPO Investors”	Chengwei Evergreen, Sinovation Ventures Funds, Innovation Zhicheng, Hongxi Investment, Hongyue Investment, Honger Investment, Huasheng Fund, Jiaying Yilang, Huangshan SAIF, SAIF Haohai, Chuangzhi Fund, Guohe Fund II, Ronghui Capital, Huaxing Zhihong, Wufang Tianya, Qianhai Puzheng, Yinfeng Rongjin Investment, Yunhai Zhicheng, Hainan Lanyue and SVF II Zeal
“Price Determination Date”	the date, expected to be on or about January 20, 2022, on which the Offer Price will be determined and, in any event, not later than January 23, 2022
“QIB” or “Qualified Institutional Buyer”	a qualified institutional buyer within the meaning of Rule 144A
“Qianhai Puzheng”	Shenzhen Qianhai Puzheng Investment Management Co., Ltd. (深圳前海普正投資管理有限公司), a limited liability company established under the laws of the PRC on February 22, 2016, being one of our Pre-IPO Investors
“Qingdao Xinda”	Qingdao Xinda Entrepreneurship Service Center (Limited Partnership) (青島新達創業服務中心(有限合夥)), a limited partnership established under the laws of the PRC on December 21, 2018, being an Employee Incentive Platform
“Qingdao Xinhui”	Qingdao Xinhui Zhiqi Entrepreneurship Service Center (Limited Partnership) (青島新輝智奇創業服務中心(有限合夥)), a limited partnership established under the laws of the PRC on December 21, 2018, being an Employee Incentive Platform
“Qingdao Xinqi”	Qingdao Xinqi Entrepreneurship Service Center (Limited Partnership) (青島新奇創業服務中心(有限合夥)), a limited partnership established under the laws of the PRC on December 20, 2018, being an Employee Incentive Platform
“Qingdao Xinyun”	Qingdao Xinyun Entrepreneurship Service Center (Limited Partnership) (青島新雲創業服務中心(有限合夥)), a limited partnership established under the laws of the PRC on November 15, 2019, being an Employee Incentive Platform
“Ronghui Capital”	Xiamen Ronghui Yingjia Equity Investment Partnership (Limited Partnership) (廈門融匯盈嘉股權投資合夥企業(有限



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## DEFINITIONS

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	合夥)), a limited partnership established under the laws of the PRC on June 2, 2020, being one of our Pre-IPO Investors
“Regulation S”	Regulation S under the U.S. Securities Act
“RewinCloud”	RewinCloud (Chongqing) Technology Co., Ltd. (睿雲奇智(重慶)科技有限公司), a company incorporated under the laws of the PRC on June 14, 2019 with limited liability and a wholly-owned subsidiary of the Company
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“SAIF Haohai”	Qingdao SAIF Haohai Venture Capital Center (Limited Partnership) (青島賽富皓海創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on November 9, 2017, being one of our Pre-IPO Investors
“Single Largest Shareholders Group”	a group of entities and individuals collectively holding approximately 27.61% of the equity interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), namely Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying
“Sinovation Ventures”	Sinovation Ventures (Beijing) Enterprise Management Limited (創新工場(北京)企業管理股份有限公司), a company incorporated under the laws of the PRC on November 2, 2010, and a member of our Single Largest Shareholders Group
“Sinovation Ventures Funds”	Beijing Sinovation Ventures Center (Limited Partnership) (北京創新工場創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on May 22, 2015, being one of our Pre-IPO Investors

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“Sinovation Ventures Group”	a group of companies conducting business operation under the brand of Sinovation Ventures Group, including but not limited to Sinovation Ventures, Sinovation Ventures Yucheng, Innovation (Beijing) Software Development Co., Ltd. (英諾維申(北京)軟件開發有限公司) and Beijing Innovation Ark Technology Co., Ltd. (北京創新方舟科技有限公司)
“Sinovation Ventures Yucheng”	Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd. (北京創新工場育成管理諮詢有限公司), a company incorporated under the laws of the PRC on July 13, 2015, and a member of our Single Largest Shareholders Group
“SOE”	State-owned enterprise. For the purpose of this prospectus, SOE refers to enterprise that is (1) wholly owned by the state, (2) majority-owned by a government body, public authority, public institution, or any combination of such entities in aggregate, or (3) majority-owned by any such entities in (1) or (2)
“Stabilizing Manager”	UBS AG Hong Kong Branch
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of our Company
“SVF II Zeal”	SVF II Zeal Subco (Singapore) Pte. Ltd., a company incorporated under the laws of Singapore on August 4, 2020, being one of our Pre-IPO Investors
“Track Record Period”	three financial years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2021
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“Unlisted Foreign Shares”	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi, held by the foreign investor

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“U.S.” or “United States”	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“ <b>White Form eIPO</b> ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by making applications online through the designated website of <b>White Form eIPO</b> at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“Wufang Tianya”	Wufang Tianya Group Co., Ltd. (五方天雅集團有限公司), a limited liability company established under the laws of the PRC on February 7, 2007, being one of our Pre-IPO Investors
“Xinnuo Zhiqi”	Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) (青島新諾智奇企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 16, 2017, being an Employee Incentive Platform
“Yinfeng Rongjin Investment”	Yinfeng Rongjin (Beijing) Investment Management Co., Ltd. (銀豐融金(北京)投資管理有限公司), a limited liability company established under the laws of the PRC on August 24, 2012, being one of our Pre-IPO Investors
“Yunhai Zhicheng”	Qingdao Yunhai Zhicheng Investment Management Center (Limited Partnership) (青島雲海至誠投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on January 25, 2021, being one of our Pre-IPO Investors

In this prospectus, unless the context otherwise requires:

- references to sections are to sections described as such in this prospectus; and
- references in this prospectus to applications, application monies, refund of application monies or the procedure for applications relate only to the Hong Kong Public Offering.

*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*

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## DEFINITIONS

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*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.*

*If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.*

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## GLOSSARY OF TECHNICAL TERMS

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“1+N cooperation”	our strategy to promote repurchases from the same customer by addressing different scenarios
“1*N expansion”	our strategy to provide one type of product or solutions to multiple companies for same or similar scenarios
“3C”	computer, communications and consumer electronics
“5G”	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G, and 4G networks
“ABC”	AI, big data and cloud computing
“ABS”	assets-based solutions, business solutions built by technology assets
“AI”	artificial intelligence
“AI +”	empowering traditional industries with AI solutions
“algorithm”	a procedure or formula for solving a problem, based on conducting a sequence of specific actions
“AutoML”	automated machine learning, the process of automating the process of applying machine learning to real world problems
“CAGR”	compound annual growth rate
“CFTR”	continuous fiber reinforced thermoplastic
“cloud”	a network of remote servers hosted on the Internet/Intranet and used to store, manage, and process data in place of local servers or personal computers.
“COE”	center of excellence
“computing power”	the ability of a computer to perform an operation
“CPU”	central processing unit
“CV” or “computer vision”	a field of artificial intelligence that trains computers to interpret and understand the digital images or videos
“CVPR”	Conference on Computer Vision and Pattern Recognition, an annual research conference sponsored by the IEEE. Together with ICCV and ECCV, CVPR is widely regarded as one of the most important conferences in the field of computer vision

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## GLOSSARY OF TECHNICAL TERMS

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“DAC”	data automation center, a multi-source heterogeneous data management system that allows data automation and realizes intelligent data fusion management
“deep learning”	a class of machine learning algorithms that constructs artificial neural networks to mimic the structure and function of the human brain, and progressively extract higher-level features from the raw input area network (LAN) with an external wide area network (WAN) on the Internet
“Designer”	a component of ManuVision platform that combines algorithms for desired function
“ECCV”	European Conference on Computer Vision, a biennial research conference. Together with CVPR and ICCV, ECCV is widely regarded as one of the most important conferences in the field of computer vision
“edge computing”	a distributed computing paradigm that brings computation and data storage closer to the location where it is needed to improve response times and save bandwidth
“framework”	a platform for developing software applications
“FSL”	few-shot learning, a class of methods that enables AI models to recognize new things with limited labeled data
“GB”	gigabyte
“GPU”	graphics processing unit, a specialized electronic circuit designed to rapidly manipulate and alter memory to accelerate the creation of images
“IaaS”	infrastructure as a service, a category of cloud computing that provides virtualized computing resources over the Internet
“ICCV”	International Conference on Computer Vision, a biennial research conference sponsored by the IEEE. Together with CVPR and ECCV, ICCV is widely regarded as one of the most important conferences in the field of computer vision
“IDC”	Interactive Data Corporation, a company that became known for providing financial market data (financial data vendor), analytics and related solutions to financial institutions, active traders and individual investors
“IEEE”	Institute of Electrical and Electronics Engineers, the world’s largest association of technical professionals established for the advancement of technology

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## GLOSSARY OF TECHNICAL TERMS

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“IoT”	Internet of things, the extension of Internet connectivity into physical devices and everyday objects
“IRC”	intelligent resource center, a resource management platform designed for data centers
“IT”	information technology
“KOL”	key opinion leader
“Kolmogorov—Smirnov statistic”	a test comparing data with a known distribution for testing normality
“KPI”	key performance indicator
“ManuVision”	our proprietary AInnovation Intelligent Machine Vision Platform (創新奇智ManuVision機器視覺智能平台), powered by deep learning technology, designed to locate, measure, detect, and recognize common defects or key metrics
“MatrixVision”	our proprietary AInnovation MatrixVision Intelligent Edge Video Platform (創新奇智MatrixVision邊緣視頻智能平台), systematically combining edge computing and deep learning; it performs tasks such as video stream decoding, image encoding and decoding, model conversion and migration, model deployment and real-time inference
“Model Zoo”	a list of models pre-trained and designed for reusing in our AI-based products and solutions
“MOT Challenge”	Multiple Object Tracking Challenge
“MOT17Det”	a dataset for people detection challenge from MOT
“OCR”	optical character recognition
“OLED”	organic light-emitting diode
“operator”	prebuilt functions used to pre-process raw data
“Orion”	our proprietary AInnovation Orion Distributed Machine Learning Platform (創新奇智Orion分布式機器學習平台)
“PaaS”	platform as a service, a category of cloud computing services that provides a platform allowing customers to develop, run, and manage applications without the complexity of building and maintaining the infrastructure typically associated with developing and launching an APP
“PB”	petabyte



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## GLOSSARY OF TECHNICAL TERMS

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“premium customer”	customer with revenue contribution of RMB4.5 million or more in a financial year
“premium customer dollar based repeating rate”	calculated as the revenue of the current financial year from all premium customers in the prior financial year, divided by revenue from such customers in that prior financial year. The rate is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity
“R&D”	research and development
“RDP”	rapid deployed products, products that could easily and quickly deployed in response to immediate needs
“Runtime”	a component of ManuVision platform that imports and runs tasks
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SDK”	software development kit
“SLA”	service level agreement, a commitment between a service provider and a client
“Trainer”	a component of ManuVision platform that labels data and trains algorithm models
“vertical”	subsector(s) of manufacturing, financial services and other industries

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## FORWARD-LOOKING STATEMENTS

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This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in our H Shares. You should pay particular attention to the fact that we conduct significant operations in China, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks and the trading price of our H Shares may decline as a result. You may lose all or part of your investment.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this prospectus.*

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 our business and industry; (ii) risks relating to doing business in China; and (iii) 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, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

### **RISKS RELATED TO OUR BUSINESS AND INDUSTRY**

**The AI industries in which we operate are characterized by constant changes. If we fail to continuously improve our technology and provide innovative solutions that meet the expectations of our customers, our business, financial condition and results of operations may be materially and adversely affected.**

The AI industries in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new products and solutions, continual shifts in customer demands and constant emergence of new industry standards and practices. Thus, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. We need to constantly anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in R&D to lead technological advances in order to keep our solutions innovative and competitive in the market. However, R&D activities are inherently uncertain, and we might encounter practical difficulties in commercializing our R&D results. Our significant expenditures on R&D may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. In addition, new technologies in AI, deep learning, computer vision, controlling or optimization could render our technologies or solutions obsolete or unattractive. If we are unable to keep up with the technological developments in such areas or if new technologies render our technologies or solutions obsolete, customers may no longer be attracted to our solutions. As a result, our business, results of operations and financial condition would be materially and adversely affected.

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## RISK FACTORS

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**The AI solutions industries in which we operate are highly competitive and fragmented, and we face competition in several major aspects of our business. If we fail to compete successfully against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.**

The AI solutions industries, especially the enterprise AI solutions industry in which we operate, are highly competitive and fragmented. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in enterprise AI solutions market in China in terms of revenue with 0.3% market share among more than 1,500 market players. We primarily compete with other companies that focus on developing and commercializing AI products and solutions for enterprises. With respect to each industry vertical that we have entered into, we also compete against existing players which are not AI-driven in such vertical. As many end-users engage the service of system integrators when selecting suppliers or service providers, instead of negotiating with a large number of different suppliers and service providers, we engaged in contracts with these system integrators and mainly acted as a subcontractor to these system integrators during the Track Record Period. Therefore, we also face potential competition from other solutions providers also acting as subcontractors to these system integrators. We may also in the future face competition from new entrants that will increase the level of competition. For example, more established technology companies that possess substantial financial resources, sophisticated technological capabilities and broad distribution channels may develop solutions that directly compete with ours. Furthermore, we may face potential competition from global technology companies that seek to enter the China market, whether independently or through the formation of strategic alliances with, or acquisition of, AI companies in China. Increased competition could result in lower sales, price reductions, reduced margins and loss of market share. We may face further potential competition from the commodization of AI solutions, as our competitors may offer off-the-shelf AI solutions which may gain growing popularity.

Further, we may be required to make substantial additional investments in research, development, marketing and sales in order to respond to such competitive threats, and we cannot assure you that such measures will be effective. Our business model and our AI technologies may become commercialized and our products and services may be replicated by our competitors, requiring us to constantly update and improve the quality of our services in order to remain competitive. If we fail to do so, it will be difficult for us to differentiate ourselves from the intense competition and we may lose our customer base. Also, the rapid commercialization of our AI technologies in various industries may adversely impact our competitive advantages and our ability to retain our customers if we fail to successfully differentiate our services and products from our competitors. 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, financial condition and results of operations could be adversely affected.

**AI technologies are constantly evolving. Any flaws or misuse of the AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.**

According to Frost & Sullivan, AI technologies are in the process of development and continue to evolve. Similar to many disruptive innovations, AI technologies present risks and challenges, such as misuse by third parties for inappropriate purposes, for purposes breaching public confidence or even violating applicable laws and regulations in China. Adoption of AI technologies in bias applications or

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mass surveillance could affect user perception, public opinions and their adoption. We have adopted a series of internal control measures to prevent the misuse of our technologies and data. For further information, see “Business—Risk Management and Internal Control”. However, we cannot assure you that the measures we take to prevent the misuse of our technologies will always be effective, or that our technologies will not be misused or applied in a way that is inconsistent with our intention or public expectation. Any inappropriate, abusive or premature usage of AI technologies, whether actual or perceived, whether intended or inadvertent and whether by us or by third parties, may dissuade prospective customers from adopting AI solutions, may impair the general acceptance of AI solutions by the society, may attract negative publicity and adversely impact our reputation and may even violate applicable laws and regulations in China and subject us to legal or administrative proceedings, pressures from activist shareholders and/or other organizations and heightened scrutiny by the regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

In addition, flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the decisions and analysis made by the relevant products and solutions. For example, computer vision technologies may not be able to detect all intentional concealment or fraudulent activities. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. Any flaws or deficiencies in AI technologies and solutions, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

**We have incurred net losses and negative operating cash flow and there can be no assurance that we will not have losses and net cash outflow in the future.**

In 2018, 2019, 2020 and the nine months ended September 30, 2021, we had net losses of RMB71.2 million, RMB248.4 million, RMB360.6 million and RMB438.0 million, respectively. In addition, we recorded net operating cash outflows of approximately RMB2.9 million, RMB189.0 million, RMB174.2 million and RMB174.4 million, in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Our net losses were primarily due to the significant increase in the general and administrative expenses and R&D expenses during the Track Record Period. We cannot assure you that we will be able to generate net profits or positive cash flow from operating activities in the future. If we fail to generate sufficient revenue from our operations, or if we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

**We have a limited operating history, which makes it difficult to evaluate our business and future prospects.**

We commenced business operation and started to commercialize our AI technologies in the 2018. Our revenue increased from RMB37.2 million in 2018 to RMB229.1 million in 2019 and further to RMB462.3 million in 2020, and increased from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021. However, our historical growth may not be indicative of our future performance, and we cannot assure you that this level of significant growth will be sustainable, or achievable at all, in the future. Our growth prospects should be considered in light of the risks and uncertainties that we as a fast-growing

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company with a limited operating history may encounter, including, among others, risks and uncertainties regarding our ability to:

- maintain and upgrade our technology infrastructure;
- upgrade our AI technologies and develop new technologies;
- retain existing customers and attract new customers to use our solutions;
- further commercialize our AI technologies;
- increase brand awareness through marketing and promotional activities;
- successfully compete with other companies that are currently in, or may in the future enter, our industries;
- attract, retain and motivate talented employees, including R&D talents as well as staff with in-depth industry know-how;
- expand into overseas markets;
- adapt to evolving regulatory environment; and
- defend ourselves against litigation, regulatory, intellectual property, privacy, data protection or other claims.

All of these endeavors involve risks and will require significant capital expenditures and allocation of valuable management and employee resources. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies effectively. If the market for our solutions does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition will be materially and adversely affected.

### **We have incurred net liabilities in the past, which we may continue to experience in the future.**

We had net liabilities of RMB163.2 million and RMB514.0 million as of December 31, 2019 and 2020, respectively. Our net liabilities position as of December 2019 and 2020 were primarily due to the financial liabilities recorded in connection with our redeemable shares. On March 30, 2021, pursuant to the agreement among shareholders, shareholders with redeemable shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve. Therefore, we do not expect to recognize any further loss or gain from change of the present value of redemption amount. However, we cannot assure you that we would not incur net liabilities position in the future which can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

### **Failure to manage our inventory effectively could have a material and adverse effect on our business, financial condition and results of operations.**

Our inventories have increased in recent periods, from RMB3.0 million as of December 31, 2018 to RMB32.3 million as of December 31, 2019, and further to RMB55.3 million as of December 31, 2020. Our inventories amounted to RMB43.4 million as of September 30, 2021. Our inventories turnover days were 36 days in 2018, 41 days in 2019, 49 days in 2020 and 35 days in the



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nine months ended September 30, 2021. Inventories turnover days for a period equals the average of the opening and closing inventories balance divided by cost of sales for the relevant period and multiplied by the number of days during such period. Inventories levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. As we plan to continue expanding our AI-based product and solution offerings, we expect to include more materials in our inventories, which will make it more challenging for us to manage our inventories effectively. If we fail to manage our inventories effectively, we may be subject to a heightened risk of inventories obsolescence and any such situation may have a material and adverse effect on our business, financial condition and results of operations.

**Fluctuation of our financial assets at fair value through profit or loss has affected our results of operations during the Track Record Period and may continue to affect our results of operations in the future.**

Fluctuation of fair value change of our current financial assets at fair value through profit or loss, which primarily consist of the structured deposits we purchased, may affect our results of operations. We made investments in structured deposits during the Track Record Period and recorded a fair value of structured deposits of RMB14.0 million, nil, nil and nil as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. The structured deposits we purchased were issued by commercial banks in China. We are exposed to credit risk in relation to our investments in structured deposits, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the structured deposits we invest in or we will not incur any fair value losses on our investments in structured deposits in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. See note 3.1 and note 3.3 to the Accountant's Report in Appendix I to this prospectus for more details.

Details of our valuation techniques and sensitivity analysis of fair value to the unobservable inputs are set forth in note 3.3 to the Accountant's Report set out in Appendix I to this prospectus. Such techniques are subject to uncertainty. We cannot assure you that the fair value of our financial assets will not decrease in the future. Any significant decreases in the fair value of our financial assets would materially and adversely affect our financial condition.

**We have granted, and may continue to grant, share options and other types of awards under our share incentive plan, which may result in increased share-based payment expenses.**

We have adopted an Employee Incentive Scheme by a resolution of our Shareholders on March 31, 2021 as an amendment, restatement and consolidation of the previous rounds of employee share incentive schemes adopted by us since 2018 to incentivize the management team, retain talent and promote its long-term sustainable development. As of the Latest Practicable Date, 88,271,298 Shares were held by the Employee Incentive Platforms, representing approximately 17.15% of the aggregate amount of the Shares in issue immediately before the completion of the Global Offering. Our share-based payment expenses were RMB23.3 million, RMB53.2 million, RMB133.8 million and RMB295.6 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. We believe the granting of share-based compensation benefits is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation benefits to employees in the future. As a result, our share-based payment expenses may increase, which may have an adverse effect on our results of operations.



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**We are investing heavily in our R&D efforts, which may negatively impact our profitability and operating cash flow in the future and may not generate the results we expect to achieve.**

Our technological capabilities and infrastructure are critical to our success. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to allocate significant resources, including financial resources, to R&D to lead technological advances in order to make our solutions innovative and competitive in the market. As a result, we have been investing heavily on our R&D efforts. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our R&D expenses were RMB28.7 million, RMB113.3 million, RMB181.5 million and RMB176.5 million, respectively. We expect that our R&D expenses will continue to increase in the future.

Furthermore, R&D activities are inherently uncertain, and we might encounter practical difficulties in commercializing our R&D results. Our significant expenditures on R&D may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in our industries could render our technologies, our technological infrastructure or 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 revenue, profitability and market share.

**If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.**

We have been expanding our customer base to cover a range of industry verticals. Our abilities to retain existing customers, attract new customers, as well as increase the spending by our customers depend on a number of factors, including our ability to offer more AI solutions that address the needs of our customers at competitive prices, the strength of our technologies and the effectiveness of our sales and marketing efforts. If we fail to retain existing customers or attract new customers, we may not be able to grow our revenue as quickly as we anticipate, or at all.

As our customer base grows and diversifies into other verticals, we may be unable to provide customers with products and solutions that meet the specific demand of such customers, and we may be unable to provide quality customer support, which could result in customer dissatisfaction, decreased overall demand for our solutions and loss of expected revenue. In addition, our inability to meet customer service expectations may damage our reputation and could consequently limit our ability to retain existing customers and attract new customers, which would materially and adversely affect our business and results of operations.

**If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.**

Leveraging our computer vision and deep learning technologies as well as software and hardware integration capabilities, we are able to provide innovative AI solutions specifically designed to address diversified needs of our customers across different verticals. However, expanding solution categories involves new risks and challenges. Our lack of familiarity with new verticals may make it more difficult for us to keep pace with the evolving customer demands and preferences. In addition, there may be one or more existing market leaders in any vertical that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing

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business in that market as well as their deeper industry insight and greater brand recognition among customers. We will need to comply with new laws and regulations applicable to these businesses. Expansion into any new vertical may place significant strain on our management and resources, and failure to expand successfully could have a material adverse effect on our business and prospects.

**We may not be able to effectively maintain our relationships with our business partners. Any negative development with respect to our relationships with our business partners may materially and adversely affect our business and brand.**

We established CISAI Tech with CISDI Group and China Railway Qizhi with China Railway No. 4. We cooperate with and will continue our substantial cooperation with our joint venture partners in various aspects. If any of our joint venture partners discontinues their cooperation with us, reduces, suspends or terminates any type of support to us, we need to obtain such support from other business partners, or improve the capacities on our own. If we are unable to maintain our relationship with joint venture partners, our brand, business and operations could be materially and adversely affected.

**We may fail to predict the future level of demand for our products and solutions.**

It may not be possible for us to predict the future level of demand for our products and solutions as the demand of our customers in manufacturing industry and financial services industry may be affected by a combination of factors beyond our control, such as market or economic conditions, government policies and regulatory environment, making it difficult to predict our future financial performance. Our revenue generated from customers in manufacturing and financial services industry was RMB19.0 million, RMB132.0 million, RMB376.6 million and RMB473.9 million, accounting for 51.1%, 57.6%, 81.5% and 85.7% of our total revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. If we fail to respond to constant changes in market and political conditions, or if the major industries we operate in do not develop as we expect, we may lose significant business opportunities, and our business and results of operations may be materially and adversely affected.

**Our business depends substantially on the continuing efforts of our management and other key personnel, as well as a competent pool of talents that support our existing operations and future growth. If we are unable to retain, attract, recruit and train such personnel, our business may be materially and adversely affected.**

Our future success depends heavily on the continued contributions of our senior management, many of whom are difficult to replace. In particular, we rely on the expertise, experience and vision of our founders as well as other members of our senior management team. If any of our senior management becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily, or at all. As a result, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.

Additionally, our future success also depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key employees. In particular, we rely on our top-notch research and development team to develop our advanced algorithms and technologies and our experienced sales personnel to maintain relationship with our customers. In order to compete for talents, we may need to offer higher compensation, better trainings and more attractive career opportunities and other benefits to our employees, which may be costly and burdensome. We cannot

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assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

**We depend on third parties to manufacture, test, package and deliver certain of hardware components for our AI-based products and solutions. Such arrangements reduce our control over product quantity and quality, manufacturing yields, development, enhancement and product delivery schedule and could harm our business.**

We engage suppliers and contract manufacturers to produce and test hardware components, such as servers, development boards and industrial cameras, which will be directly delivered to the customers' venue to assemble with our software. While these arrangements may lower our operating costs, they also reduce our direct control over production and distribution. We may experience operational difficulties with our suppliers, contract manufacturers and logistics service providers, including reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, increases in assembling costs and longer lead time required. Our suppliers, contract manufacturers and logistics service providers may experience disruptions in their production and assembly operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, environmental non-compliance issues or other similar problems. In addition, we may not be able to renew contracts with our suppliers, contract manufacturers or logistics service providers or identify substitute partners who are capable of supplying services, components and assembly capacities for new products we target to launch in the future. Although arrangements with these partners may contain provisions for warranty expense reimbursement, we may remain responsible for the customer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. Any failure of our suppliers, contract manufacturers and logistics to perform their responsibilities or to be in compliance with all applicable laws and regulations may have a material negative impact on our cost or supply of components or finished goods. In addition, assembly or logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, commercial disputes, military actions or economic, business, labor, environmental, public health, or political issues.

**Export control and economic or trade restrictions that were imposed on a number of entities may affect our business, financial conditions and results of operations.**

In 2019 and 2020, the U.S. government imposed targeted economic and trade restrictions on a number of Chinese companies and institutions that limit their access to U.S.-origin goods, software, and technologies (collectively, "items"), as well as items that contain a significant portion of certain U.S.-origin items or are a direct product of certain U.S.-origin items. We have conducted business with some of these entities.

In addition, the U.S. government recently imposed certain restrictions on U.S. persons to engage in the purchase or sale of the publicly traded securities of certain Chinese companies. While we

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are not aware that the U.S. government plans to impose such restrictions on any company in our Group, we cannot preclude such a possibility. If that happens, our Group may suffer certain adverse consequences, such as limiting our Group's ability to raise funds due to a lack of U.S. investors' participation. See "Business—U.S. Export Control Laws and Regulations" for details.

U.S. export controls and trade laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by political and/or other factors that are out of our control or heightened by national security concerns. Such potential restrictions, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology, products and solutions, hinder the stability of our supply chain, and may result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders that we cease or modify our existing business practices, any of which may have a material and adverse effect on our business, financial condition and results of operations.

**We may be subject to product liability claims if our products contain significant 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 financial condition and results of operations may thus be negatively impacted.**

Although we have not been subject to product liability claims during the Track Record Period, we may be subject to such claims in the future if our products contain significant defects. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the seller of the product. Although we would have legal recourse against the suppliers and contract manufacturers of such products under laws, attempting to enforce our rights against the suppliers and contract manufacturers may be expensive, time-consuming and ultimately futile. As a result, we could incur significant expenses to remediate such defects. Any material product liability claim, or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation, and we could lose market shares as a result.

**Our business is dependent on the strengths and market acceptance of our brands. If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.**

Our business and financial performance depends on the strength and the market acceptance of our brands. Any loss of trust in our solutions could harm the value of our brands, which could materially reduce our revenue and gross margin. From time to time, we participate in offline events, such as industry conferences, product launches and industry salons, and work with media partners or search engine companies to associate our brands and reputation with technology or to promote our new solutions, which may cause us to substantially increase our marketing expenditures. However, we cannot assure you that these activities will be successful or that we will be able to achieve the promotional effect we expect. If we are unable to maintain our reputation, enhance our brand recognition or promote our solutions, or if we incur excessive expenses in this effort, our business and growth prospects may be materially and adversely affected.

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**We may be subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.**

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. Particularly in China, where we operate all our businesses, the PRC government has enacted a series of laws and regulations on the protection of personal data in the past few years. When conducting our business, we may have access to certain data of the end-users of our customers and therefore are subject to the privacy and data protection laws and regulations.

On December 28, 2021, the CAC published the Measures for Cyber Security Review, which further restates and expands the applicable scope of the cybersecurity review. Pursuant to the Measures for Cyber Security Review, if an Internet platform operator possesses personal information of over one million users and intends for “foreign” listing (國外上市), it must be subject to the cybersecurity review. Although the Measures for Cyber Security Review provides no further explanation or interpretation for “foreign” listing, the PRC Legal Advisor is of the view that we do not need to apply for a cybersecurity review pursuant to the above regulation, given that (i) we are not in possession of personal information of over one million users; (ii) as of the date of the Prospectus, the Group has not received any notice or determination from applicable PRC governmental authorities identifying it as a critical information infrastructure operator. On November 14, 2021, the CAC published the Draft Regulation, which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for “foreign” listing (國外上市); and (ii) the data processors’ listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes “affecting national security”, and there remain uncertainties whether we would be subject to the cybersecurity review for the Global Offering pursuant to such draft measures. As of the Latest Practicable Date, these above two draft measures have not been formally adopted.

We have adopted various measures, including Board and management supervision and information access control, to ensure legal compliance. See “Business—Data Privacy and Protection” for details. As confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we are in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects. However, the laws and regulations regarding privacy and data protection in China, as well as other countries, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from using our solutions and could subject us to significant legal, financial and operational consequences.



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**Our business processes a large amount of business and operation data, and the improper collection, hosting, use or disclosure of such data could harm our reputation and have a material adverse effect on our business and prospects.**

Our business processes massive volumes of business and operation data, such as photos, videos and encrypted transaction data. This makes us an attractive target of, and potentially vulnerable to, cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions.

We face certain challenges and risks inherent to handling and protecting a large volume of data, including confidential, sensitive data and information, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or our customers and partners;
- addressing concerns, challenges, negative publicity and litigations related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with our customers and partners or competent regulatory authorities), safety, security and other factors that may arise from our existing businesses or new businesses and technology, such as new forms of data; and
- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

The improper collection, use or disclosure of business and operation data could result in a loss of customers and partners, loss of confidence or trust in our technology solutions, litigations, regulatory investigations, penalties or actions against us, significant damage to our reputation, any of which could in turn have a material adverse impact on our business, financial condition, results of operations and prospects. Our back-up systems, disaster recovery centers and deployed various technology measures to safeguard our data security may not function as we expect or could be breached. Because the technologies and mechanisms used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognizable until they are launched against a target, we may be unable to anticipate for, or to implement adequate preventative measures against, such technologies and mechanisms.

Any accidental or willful security breaches or other unauthorized access could cause confidential information to be stolen and used for improper or criminal purposes. Moreover, if we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate the data. Security breaches or unauthorized access to confidential information could also expose us to liabilities related to the loss of the information, time-consuming and expensive litigations and other regulatory and legal proceedings, as well as negative publicity. If security measures are breached because of third party action, employee error, malfeasance or other similar factors, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with our customers and partners could be severely damaged and we could incur significant liabilities or subject to legal or regulatory actions that may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, concerns about our practices with regard to security of confidential information or other privacy-related matters, such as cybersecurity breaches, misuse of personal data and data sharing without necessary safeguards, even if

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unfounded, could damage our reputation and operating results. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material incidents of cyberattacks or data security breaches. However, if any of the foregoing risks materializes, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We face ethical and reputational risks associated with the use of our AI technology and AI-powered algorithms.**

As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. As our business expand and continuously invest in R&D activities, our application of AI technology and AI powered algorithms may produce biased analysis and discrimination against inquiry subjects in certain stereotypes, such as unequal risk scoring based on racial or cultural background or gender. If the recommendations, forecasts, or analysis that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and ethical or reputational harm. Some of our AI solutions such as data governance and automated management, may present ethical issues. If the AI solutions we offer in the future are controversial because of their purported or real impact on human rights, privacy, employment, or other social issues, we may experience ethical or reputational harm and negative corporate social responsibility record and regulatory compliance issues.

**If the data we process are out of date, inaccurate or lacking credible information, we may not be able to provide quality services for our customers, which could adversely impact our business.**

We have access to data from our customers and third-party data partners, namely, on-site collected data by our customers or us with direct authorization and data labeled by third-party service providers. See “Business—Procurement of Data Labeling Services.” We synthesize these multiple sources of data with our big data analytics capabilities. The information available to us, customers and third-party data partners may be limited. We cannot ensure the accuracy and timeliness of the various sources of data that we use. For example, our data labels may be out of date, inaccurate or lacking credible information. Low quality and inaccurate data could materially affect the accuracy and validity of our data analytical capability, products and services which could adversely affect our reputation, business operations and financial performance.

**Our use of open source technology could impose limitations on our business operations.**

We use open source software in some of our platform and expect to continue to use open source software in the future. Although we monitor our use of open source software to avoid subjecting our software to conditions we do not intend, we may face allegations from others alleging ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works, or our proprietary source code that was developed using such software. These allegations could also result in litigation. The terms of many open source licenses have not been interpreted by courts. There is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our software and platform. In such an event, we may be required to seek licenses from third parties to continue commercially offering our software, to make our proprietary code generally available in source code form, to re-engineer our software or to discontinue the sale of our software if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business and revenue.



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The use of open source software subjects us to a number of other risks and challenges. Open source software is subject to further development or modification by anyone. Others may develop such software to be competitive with, or render such software no longer useful by, us. It is also possible for competitors to develop their own products and services using open source software, potentially reducing the demand for our products and services. If we are unable to successfully address these challenges, our business and operating results may be adversely affected, and our development costs may increase.

**Our services and internal systems rely on software programs that are highly complex and technical, and if they contain undetected errors, our business could be adversely affected.**

Our services and internal systems rely on software programs that are highly complex and technical. In addition, our services and internal software programs to store, retrieve, process and manage immense amounts of data. The software programs on which we rely may contain undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software programs on which we rely may result in a negative experience for users and customers, delay introductions of new features or enhancements, result in errors or compromise our ability to protect data or our intellectual property. If any of the above occurs, our business, results of operations and financial condition may be adversely affected.

**Failure to maintain or improve the reliability, performance and availability of our technology capacities, solutions and infrastructures may materially and adversely affect our business, financial condition, results of operations and prospects.**

The satisfactory performance, reliability and availability of our solutions and underlying technologies and infrastructures are critical to our operations, customer service, reputation and our ability to retain existing customers and partners and to attract new ones. Our solutions are subject to unanticipated failures or disruptions, which results in various operational risks, such as improper information processing, slower response time, and substandard user experience. If we fail to properly and accurately process and manage all such information, the quality of our solutions may be compromised, which will have an adverse impact on our reputation, financial condition and results of operations. In addition, we rely on certain proprietary technology and third-party services to store, retrieve, process and manage immense amounts of data for our operations. Such services on which we rely may contain undetected errors or bugs. If we are unable to maintain and constantly improve our technology infrastructure and to properly handle technological failures or disruptions, our business, financial condition, results of operations and prospects, as well as our reputation, may be materially and adversely affected.

In the event of data outage or loss, our ability to offer AI solutions may be materially and adversely affected. Our operations depend on our ability to protect our systems against damage or interruption from natural disasters, power or telecommunications failures, environmental conditions, computer viruses or other attempts to harm our systems, criminal acts and similar events. In addition, if there is a lapse in service or damage to our leased facilities, we could experience business interruptions as well as delays and additional expenses in arranging new facilities, which could harm our relationships with stakeholders of our ecosystem, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

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**Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent disclosure of trade secrets and other proprietary information.**

We have devoted substantial resources to the development of our technologies and knowhow. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

**Unauthorized use of our intellectual properties by third parties may harm our brands and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business.**

We regard our patents, software copyrights, trademarks and other intellectual properties as critical to our success and rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with our business partners prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Implementation of intellectual property laws in China has historically been lacking, primarily because of ambiguities in the laws and difficulties in enforcement. Accordingly, intellectual property right protection in China may not be as effective as in other jurisdictions with a more developed legal framework regulating intellectual property rights. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

**We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources.**

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, trademarks, software copyrights or other intellectual property rights held by third parties. We cannot assure you that holders of patents purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents against us in China or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such

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intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

**We may not have sufficient insurance coverage to cover our potential liability or losses and, as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.**

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurance on commercially reasonable terms render such insurance impractical for our business and purposes. However, any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

**Misconducts and omissions by our employees or business partners could harm our business and reputation.**

Misconducts and omissions by our employees could subject us to liability or negative publicity. Although we have implemented strict human resources risk management policies, and we have in place an employee handbook approved by our management and distributed to all our employees, which contains broad internal rules and guidelines and cover areas such as best commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance, there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and results of operations.

Misconducts and omissions by our business partners could subject us to disruption of business, negative publicity or liability. Although we have strict standards to choose our business partners, we cannot assure you our business partners will not engage in misconducts or omissions. Any misconduct or omission by our business partners involved in our business may affect our business activities and reputation, which may in turn affect our business, results of operations and financial condition.

**Non-compliance on the part of third parties involved in our business could adversely affect our business.**

Our business partners, including our various suppliers and customers, as well as other third parties who have entered into business relationships with our business partners, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may,

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directly or indirectly, affect our business. We cannot be certain whether such third party has infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

**We may be involved in legal proceedings and commercial disputes, which could have a material adverse effect on our business, financial condition and results of operations.**

We are subject to claims and various legal and administrative proceedings, and, as a result, penalties that have arisen in the ordinary course of business, and new claims may arise in the future. In addition, agreements entered into by us sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party. We have also been, and may continue to be, subject to various intellectual property infringement or misappropriation claims, see “—We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources.”

Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or further licensing agreements or other arrangements to settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, new legal or administrative proceedings and claims may arise in the future and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and operating results.

**We require various approvals, licenses, permits and certifications to operate our business, any failure to obtain or renew any of these approvals, licenses, permits or certifications could materially and adversely affect our business and results of operations.**

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our

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business. Complying with such laws and regulations may require substantial expense, and any non-compliance may expose us to liability. We have designed and adopted strict internal procedures to ensure compliance of our business operations with all relevant laws and regulations, and to ensure that we obtain necessary approvals, licenses, permits and certifications for our business operations. However, we cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications. Regulatory authorities who have extensive authority to supervise and regulate the industry we operate in may not interpret relevant laws and regulations the way we do. In addition, as the regulatory regime for the industries in which we operate continue to evolve, new laws, regulations and regulatory requirements are promulgated and implemented from time to time, and the interpretation and application of existing laws, regulations and regulatory requirements are subject to changes.

We may be required to obtain approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. In the event of non-compliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. In the future, If we fail to obtain all the necessary approvals, licenses, permits and certifications required by relevant laws and regulations or if we are deemed to have conducted business operations requesting certain approvals, licenses, permits and certifications without having one, we may be subject to fines or the suspension of operations of the relevant business segments or facilities that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations. See “Regulatory Overview” of this prospectus for further details on the requisite approvals, licenses, permits and certifications for business operations. We may also experience adverse publicity arising from non-compliance with government regulations, which would negatively impact our reputation.

**We are subject to credit risk related to defaults of customers, and any significant default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.**

We are exposed to credit risk related to defaults of our various customers. As of December 31, 2018, 2019, 2020 and September 30, 2021, our trade and notes receivables were RMB16.2 million, RMB120.7 million, RMB189.6 million and RMB296.4 million, respectively. The increase was primarily due to the significant growth of our business during the Track Record Period. Our trade and notes receivables turnover days were 76, 115, 135 and 137 in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. See “Financial Information—Discussion of Key Items of Consolidated Statements of Financial Position—Trade and Notes Receivables” for more information. Although we have adopted a series of strict management measures, we may not be able to collect all such trade receivables due to a variety of factors that are outside of our control. If the relationship between us and any of our customers is terminated or deteriorated, or if any of our customers experience financial difficulties in settling the trade receivables, our corresponding trade receivables might be adversely affected in terms of recoverability. Our trade receivables balance may continue to grow alongside our business expansion, which may increase our risks for uncollectible receivables. If we are unable to collect our trade receivables from our customers, our business, financial condition and results of operation may be materially and adversely affected.



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**We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.**

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China. We may be subject to investigations and proceedings by PRC governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

**The COVID-19 pandemic presents challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations.**

Beginning from December 2019, a novel strain of coronavirus, or the COVID-19, resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and other countries around the world. The COVID-19 pandemic, as well as the restrictions imposed and actions taken by the governments and society as a whole in response to the COVID-19 pandemic, could present significant challenges and uncertainties. Although the Chinese economy has been recovering steadily from the impact of COVID-19 since the second half of 2020, any recurrence of the COVID-19 outbreak in China, such as the recurrence of COVID-19 around the end of 2020 and in 2021, or continuance of the outbreak in other parts of the world could adversely impact our business operations or the business operations of our customers and partners thus in turn having an adverse impact on our business, results of operations and financial condition.

Our business operations could be disrupted if any of our employees is suspected of having these or any other epidemic disease, since it could require our employees to be quarantined and/or our offices to be closed for disinfection or other remedial measures. There remain substantial uncertainties about the dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods if the pandemic and the resulting disruption were to extend over a prolonged period. To the extent the global spread of COVID-19 and deterioration cannot be contained, the risks and uncertainties set forth in this prospectus may be exacerbated or accelerated at a heightened level. For more detailed discussion of the impact of COVID-19 on our business operations, see “Financial Information – Impact of COVID-19”.

**Any discontinuation, reduction or delay of any preferential tax treatments or government grants that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.**

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. In particular, AIInnovation (Beijing) Technology Co., Ltd. had been recognized as the “High and New Technology Enterprise” in 2019. AIInnovation (Guangzhou) Technology Co., Ltd., AIInnovation (Hefei) Technology Co., Ltd. and AIInnovation (Chongqing) Technology Co., Ltd., had been recognized as the “High New Tech Enterprise” in 2020. According to the tax incentives of the EIT Law for “High and New Tech Enterprise”, these companies are subject to

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a reduced EIT rate of 15% for three years commencing from the year these companies are recognized as “High New Tech Enterprise”. Such preferential tax treatments are subject to change and termination. Government agencies may decide to reduce, eliminate or cancel our tax preferences at any time. Therefore, we cannot assure you of the continued availability of such tax preferences as we currently enjoy. The discontinuation, reduction or delay of the preferential tax treatment could adversely affect our financial condition and results of operations.

We also receive government grants, primarily in the form of nonrecurring financial assistance from the local government in China. Our government grants amounted to RMB6.9 million, RMB27.1 million, RMB35.0 million RMB14.4 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. See “Financial Information—Description of Major Components of Our Results of Operations—Other Income.” 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 some cases, we are required to satisfy certain conditions or contractual obligations before receiving government grants. However, there can be no assurance that we will be able to fully satisfy these conditions or perform such obligations, and it is possible that governmental authorities may discontinue such grants, or require us to repay part or all of the government grants we previously received. Any reduction, cancellation, or repayment resulting from our failure to perform such obligations could adversely affect our business, financial condition and results of operations.

### **Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.**

As of the Latest Practicable Date, we did not own any property, and operated our businesses mainly through leased properties. We cannot assure you that we are able to renew our lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased properties is controversial or impaired, or the validity of the relevant lease is challenged by any third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could, in turn, have an adverse effect on our business, financial condition and results of operations.

As of the Latest Practicable Date, the lessor of three of our leased properties had not provided us with valid title certificates, relevant authorization documents or permissions evidencing the right to lease the property to us. As a result, the lease may not be valid, and we may not be able to continue to use such property if the lessor’s right to lease such property is challenged by any third party. For further information, see “Business—Properties”.

As of the Latest Practicable Date, the actual usage of two leased properties was inconsistent with the usage set out in such title certificates or relevant authorization documents. There is a risk that we may not be able to lease, occupy and use such leased properties if the lease was challenged by any interested party or if the lessor was penalized by the competent government authority.

As of the Latest Practicable Date, one of our leased properties is located on allocated land and the use of such leased property is not consistent with the designated use of land stated on the ownership certificate provided by the owner. There is a risk that we may not be able to continue to use such properties.

As of the Latest Practicable Date, 11 of our leased properties had not been registered with the competent PRC government authorities as required by applicable PRC laws and regulations. Although



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we will take all practicable and reasonable steps to request the lessors of such properties to cooperate with us to complete the registration in a timely manner, we cannot assure you that such lessors will do so. Our PRC Legal Advisor has advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC laws, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the lease registration after we are requested to do so by the competent PRC government authorities. For details, see “Business—Properties”.

### **RISKS RELATING TO DOING BUSINESS IN THE PRC**

**Adverse changes in economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.**

All of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation. Although China has been one of the world’s fastest growing economies in recent years as measured by GDP, such growth may not be sustainable in the future. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources, but some of these measures, such as the introduction of measures to control consumer prices, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversion and remittances abroad, may lead to changes in overall market conditions and the industry verticals we operate in and could materially and adversely affect our business, financial condition and results of operations. If the PRC economy experiences significant adverse changes due to any of the foregoing reasons, demand for our products and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

**The interpretation and enforcement of PRC laws and regulations involve significant uncertainties and PRC laws differ from the laws of common law jurisdictions.**

Our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as references. Since the late 1970s, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as corporate organization and governance, commerce, taxation and trade. 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 significant uncertainties.

Furthermore, certain important aspects of the PRC Company Law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection (such as shareholder class action suits and measures protecting non-controlling shareholders), restrictions on directors, disclosure requirements, different rights of classes of shareholders, general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Listing Rules. However, such provisions having

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been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions.

### **The successful operations of our business and our growth depend upon the Internet infrastructure and telecommunication network in the PRC.**

Our business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our traffic may decrease, which in turn may significantly reduce our revenue.

### **The PRC government's control over foreign currency conversion may limit our foreign exchange transactions.**

Currently, the Renminbi cannot be freely converted into any foreign currency, and the conversion rate and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. If we fail to obtain approval from SAFE to convert Renminbi into any foreign currency for business purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

### **Payment of dividends is subject to restrictions under PRC law.**

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under 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 or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

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In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our 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 subsidiaries to pay dividends to us could have a negative impact on our cash flows 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.

### **You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.**

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, most of our directors, supervisors and officers reside in the PRC and substantially all of their assets are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remains uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and Department of Justice of Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排》) (the "New Arrangement"). The New Arrangement will broaden the scope of judgments that

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may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as at the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, Supervisors, senior officers or holders of non-listed shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our H Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or in China. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in China by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

### **Holders of H Shares may be subject to PRC taxation.**

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (中華人民共和國個人所得稅法), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from the PRC and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments

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or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to enterprise income tax rate on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

For additional information, see “Taxation and Foreign Exchange” in Appendix IV to this prospectus.

**Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.**

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations.

As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in material aspects during the Track Record Period. However, we cannot assure you that any new laws and regulations will not require us to pay any contribution shortfall retroactively, thereby adversely affecting our financial condition and results of operations.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**There has been no prior public market for our H Shares, and their liquidity and market price may be volatile.**

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure



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of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

**Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.**

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products or fluctuations in market prices for other soft beverage companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

**Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.**

Future sales of a significant number of our H Shares by the Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares which may be granted to our Directors as described in “Appendix V—Summary of Principal Legal and Regulatory Provisions”, upon the expiration of relevant restrictions. We are currently applying for the Company’s Domestic Shares and Unlisted Foreign Shares to circulate on the Hong Kong Stock Exchange after the completion of the Global Offering. The Shares issued by the Company prior to the Global Offering are restricted from trading within one year from the Listing Date according to the Company Law, or a longer period pursuant to the Shareholders’ Agreement. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Shares and Unlisted Foreign Shares on the Hong Kong Stock Exchange after the completion of the Global Offering is successful, any future sales (after the expiration of the restrictions set out above) of such Shares by relevant Shareholders in the public market may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Shareholders, or the Shares available for sale by our Shareholders, or the issuance of Shares by the Company may have on the market price of the H Shares. Sale or issuance of a substantial amount of Shares by our Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

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**We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.**

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

**As the Offer Price of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.**

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional H Shares in the future to raise additional capital.

**We cannot assure you whether and when we will declare and pay dividends in the future.**

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information—Dividends.”

**Certain statistics contained in this prospectus are derived from official government sources and they may not be reliable.**

Certain statistics contained in this prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or reports. We have taken reasonable care in the reproduction or extraction of the official government publications or reports for the purpose of disclosure in this prospectus, however, we cannot assure you that the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics from these official government sources, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics from these official government sources in this prospectus may be inaccurate or



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may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

**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 “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other 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.

**Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.**

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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In preparation of the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**WAIVER IN RELATION TO 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 executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Given that (i) our core business operations are principally located, managed and conducted in the PRC under the supervision of our executive Director and senior management; and (ii) Mr. Xu Hui, our executive Director, principally resides in the PRC, our Company considers that it would be more practical for the executive Director and senior management of our Company to remain ordinarily resident in the PRC where our Group has substantial operations. For the above reasons, 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 to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

- (a) we have appointed Mr. Xu Hui and Mr. Xiao Lei as the authorized representatives (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules, who will act as an additional channel of communication with the Hong Kong Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Hong Kong Stock Exchange. The Authorized Representatives possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong, and accordingly, they will be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice.
- (b) all our Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange upon reasonable notice. In addition, each of our Director has provided his/her contact details, including office phone numbers (if any), mobile phone numbers, email addresses and fax numbers (if any), to the Authorized Representatives and to the Hong Kong Stock Exchange. In the event that any of our Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives, so that the Authorized Representatives would be able to contact all our Directors (including the independent non-executive Directors) promptly at all times if and when the Hong Kong Stock Exchange wishes to contact our Directors.

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- (c) we have appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) in compliance with Rules 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange when the Authorized Representatives are not available.

**WAIVER IN RELATION TO JOINT COMPANY SECRETARIES**

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies LR8.17 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 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); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

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 they played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, 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.

We have appointed Mr. Xiao Lei as one of the joint company secretaries of our Company. Mr. Xiao Lei has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Ms. Lam Nim Chi, associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Mr. Xiao Lei for an initial period of three years from the Listing Date to enable Mr. Xiao Lei to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of

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the Listing Rules. See “Directors, Supervisors and Senior Management” in this prospectus for further biographical details of Mr. Xiao Lei and Ms. Lam Nim Chi. The following arrangements have been, or will be, put in place to assist Mr. Xiao Lei in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

- (a) Mr. Xiao Lei 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 Company’s Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.
- (b) Ms. Lam Nim Chi will assist Mr. Xiao Lei 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 the company secretary of our Company.
- (c) Ms. Lam Nim Chi will communicate regularly with Mr. Xiao Lei 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. Lam Nim Chi will work closely with, and provide assistance to, Mr. Xiao Lei in the discharge of his duties as a company secretary, including organizing our Company’s Board meetings and Shareholders’ general meetings.
- (d) Prior to the expiry of Mr. Xiao Lei’s initial term of appointment as the company secretary of our Company, we will evaluate his experience to determine if he has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Xiao Lei’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.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Mr. Xiao Lei ceases to be assisted by a person with qualifications under Rule 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Xiao Lei, having had the benefit of Ms. Lam Nim Chi’s assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

**WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions—Non-exempt Continuing Connected Transactions.”

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**WAIVER IN RELATION TO SHORTER TRADING RECORD PERIOD**

Pursuant to Rule 8.05 of the Listing Rules, a new applicant must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3). Each test requires (i) a trading record of not less than three financial years (e.g., Rule 8.05(3)(a)), and (ii) management continuity for at least the three preceding financial years (e.g., Rule 8.05(3)(b)).

Rule 8.05(3) of the Listing Rules requires that a new applicant relying on the market capitalization/revenue test must satisfy each of the following, unless waived by the Stock Exchange under Rule 8.05A of the Listing Rules:

- (a) a trading record of at least three financial years;
- (b) management continuity for at least the three preceding financial years;
- (c) ownership continuity and control for at least the most recent audited financial year;
- (d) a market capitalization of at least HK\$4,000,000,000 at the time of Listing; and
- (e) revenue of at least HK\$500,000,000 for the most recent audited financial year.

Pursuant to Rule 8.05A of the Hong Kong Listing Rules, in the case of the market capitalization/revenue test under Rule 8.05(3), the Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rule 8.05(3)(a) and 8.05(3)(b) if the new applicant is able to demonstrate to the Hong Kong Stock Exchange the satisfaction of the following:

- (a) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new applicant; and
- (b) management continuity for the most recent audited financial year.

Our Company was incorporated on February 6, 2018 and entered into its first business agreement on March 1, 2018. As a result, we may not be able to satisfy the trading record requirement of at least three financial years under Rule 8.05(3) of the Listing Rules.

Accordingly, pursuant to Rule 8.05A of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.05(3) of the Listing Rules on the following basis that:

- (a) **Sufficient and satisfactory industry experience:** members of the core management team of our Company, comprising Mr. Xu Hui as our executive Director, Mr. He Tao as our Chief Revenue Officer and Mr. Zhang Fa'en as our Chief Technology Officer (the “**Core Management Team**”) have sufficient and satisfactory experience of at least three years in the AI technology industry. In particular, Mr. Xu Hui has more than 20 years of extensive experience in AI technology industry in terms of manufacturing, financial services and retail, and held various senior leadership capacities in high-tech and innovative enterprises; Mr. He Tao has more than eight years of AI-related management experience;

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and Mr. Zhang Fa'en has approximately 15 years of experience in AI technology industry in terms of software, big-data, machine learning and deep learning technology research, development and management. In addition, Dr. Kai-Fu Lee, our Chairman, has more than 30 years of experience in AI-related industry. For further details, see "Directors, Supervisors and Senior Management".

- (b) **Management continuity for the most recent audited financial year:** members of the Core Management Team have held key management positions of the various business and operational functions of our Company since early 2018, thus satisfying the management continuity for the most recent audited financial year ended December 31, 2020.
- (c) **Ownership continuity and control for the most recent audited financial year:** There has been no change in the Single Largest Shareholders Group for the year ended December 31, 2020 and up to the Latest Practicable Date.
- (d) **Market capitalization:** We will have a market capitalization of more than HK\$4,000,000,000 at the time of the Listing.
- (e) **Adequate revenue:** Our total revenue for the year ended December 31, 2020 amounted to over RMB462 million (equivalent to HK\$556 million), which is more than the HK\$500 million threshold as required under Rule 8.05(3) of the Listing Rules.

**WAIVER AND CONSENT IN RELATION TO SUBSCRIPTION OF THE OFFER SHARES BY SVF II ZEAL**

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if the conditions in Rule 10.03(1) and (2) are satisfied.

Paragraph 5(2) of Appendix 6 to the Listing Rule prohibits allocation of shares in a global offering to existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless the conditions in Rules 10.03 and 10.04 are fulfilled or prior written consent of the Stock Exchange has been obtained.

As of the date of this prospectus, SVF II Zeal holds approximately 7.12% of the total issued share capital of our Company. Pursuant to the Shareholders Agreement, SVF II Zeal shall subscribe, at the Offer Price as a cornerstone investor, for such number of Offer Shares to be issued by our Company (the "**Entitled Shares**") as part of a qualified IPO so as to maintain its percentage of shareholding interest in our Company (on a fully-diluted basis and on the basis that the Over-allotment Option is not exercised) as at immediately before the qualified IPO (the "**Anti-Dilution Arrangement**"), however, if our Company has not completed the qualified IPO by March 31, 2022, SVF II Zeal shall have the right (but no obligation) to subscribe such number of the Entitled Shares as it may decide (the "**Anti-Dilution Right**"). SVF II Zeal agreed to subscribe for 3,186,100 H Shares (being the maximum number of Entitled Shares, the "**Maximum Entitled Shares**") as a cornerstone investor, so as to maintain its 7.12% shareholding interest in our Company upon the completion of the Global Offering (assuming and on the basis that the Over-allotment Option is not exercised) pursuant to the Anti-Dilution Arrangement, considering its confidence in our Company's business performance, strength and prospects. SVF II Zeal will hold approximately 7.04% of the total issued share capital of



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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
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(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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our Company upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Given that, if the Anti-Dilution Arrangement is exercised:

1. the subscription for additional H Shares by SVF II Zeal will be made at the Offer Price and on the same terms and conditions as other investors pursuant to the Global Offering;
2. the subscription for additional H Shares by SVF II Zeal will form part of the International Offering, and will not have an impact on the H Shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering;
3. the Anti-Dilution Arrangement is a pre-existing contractual arrangement between the Company and SVF II Zeal and was agreed on an arm's length basis, and the subscription for additional H Shares by SVF II Zeal is necessary to give effect to the Anti-Dilution Arrangement;
4. the Anti-Dilution Arrangement is, in substance, similar in nature to the typical anti-dilution rights granted to pre-IPO investors and, in particular, the subscription for additional H Shares by SVF II Zeal will not result in SVF II Zeal's aggregate percentage interest in the Company increasing above its percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised in connection with an initial public offering pursuant to paragraph 3.10 of Guidance Letter HKEX-GL43-12;
5. full disclosure of the Anti-Dilution Arrangement will be made in this prospectus, including the number of H Shares to be subscribed for by SVF II Zeal and the fact that the subscription price per H Share will be at the Offer Price. In addition, the allotment results announcement to be issued by the Company will contain details of the Anti-Dilution Arrangement and any allocation made to SVF II Zeal. On the basis of full disclosure, no investor will be prejudiced or unfairly treated in their investment decision making process; and
6. the subscription for additional H Shares by SVF II Zeal will facilitate the marketing of, and boost investors' confidence in, the Global Offering.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the subscription for the Maximum Entitled Shares by SVF II Zeal as a cornerstone investor based on the following reasons and/or conditions:

1. the allocation is in compliance with the minimum public float percentage of 25%, or such other percentage as may be accepted by the Stock Exchange;
2. the Anti-Dilution Arrangement is a pre-existing contractual arrangement between the Company and SVF II Zeal and was agreed on an arm's length basis, and the subscription for additional H Shares by SVF II Zeal is necessary to give effect to the Anti-Dilution Arrangement;
3. the Anti-Dilution Arrangement is, in substance, similar in nature to the typical anti-dilution rights granted to pre-IPO investors and, in particular, the subscription for additional H Shares by SVF II Zeal will not result in SVF II Zeal's aggregate percentage

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
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- interest in the Company increasing above its percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised in connection with an initial public offering pursuant to paragraph 3.10 of Guidance Letter HKEX-GL43-12;
4. the subscription for additional H Shares by SVF II Zeal will be made at the Offer Price and on the same terms and conditions as other investors pursuant to the Global Offering;
  5. full disclosure of the Anti-Dilution Arrangement, the number of H Shares to be subscribed for by SVF II Zeal and the fact that the subscription price per H Share will be at the Offer Price will be made in this prospectus;
  6. the subscription for additional H Shares by SVF II Zeal will be made at the Offer Price and, in any event, will not result in SVF II Zeal's aggregate percentage interest in the Company increasing above its percentage interest immediately prior to the Global Offering;
  7. information on the amount of H Shares allocated to SVF II Zeal will be disclosed in the allotment results announcement to be issued by the Company and the placee lists to be submitted to the Stock Exchange before Listing; and
  8. the Company, the Joint Bookrunners and the Joint Sponsors will confirm to the Stock Exchange in writing that no preferential treatment, other than the assured allocation of the Maximum Entitled Shares, will be given to SVF II Zeal as a cornerstone investor in the International Offering.

For further information about the cornerstone investment of SVF II Zeal, please refer to the section headed "Cornerstone Investors" in this prospectus.

**WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(b) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

Rule 4.04(1) of the Listing Rules requires our Company to include in the prospectus an accountant's report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountant's report which contains the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities. According to paragraphs 31 of Part II of the

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
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Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the prospectus a report by our Reporting Accountant with respect to the financial results of our Group for each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Guidance Letter HKEx-GL25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

1. the applicant must list on the Stock Exchange within three months after the latest year end;
2. the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements of Section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
3. a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and
4. there must be a directors' statement in the prospectus that there is no material adverse change to our Company's financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

The Accountant's Report for the period from February 6 to December 31, 2018 and each of the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021 has been prepared and set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2019, 2020 and 2021. However, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

1. this prospectus will be issued on or before January 17, 2022 and our H Shares will be listed on the Stock Exchange on or before March 31, 2022 (i.e., within three months after the Company's latest financial year-end);
2. our Company will obtain from the SFC a certificate of exemption on strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
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31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

3. this prospectus contains the loss estimate for the year ended December 31, 2021 (which complies with Rules 11.17 to 11.19 of the Listing Rules); and
4. this prospectus contains the statement of our Directors that there is no material adverse change to our Group's financial and trading positions or prospect with specific reference to the trading results from September 30, 2021 to December 31, 2021.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

1. the particulars of the exemption be set out in this prospectus;
2. this prospectus be issued on or before January 17, 2022, and the Company's H Shares will be listed on the Stock Exchange on or before March 31, 2022 (i.e. within three months after the end of the Company's latest financial year-end).

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

1. there would not be sufficient time for our Company and the Reporting Accountant to finalize the audited financial statements for the full financial year ended December 31, 2021 for inclusion in this prospectus; If the financial information for the year ended December 31, 2021 is required to be audited, our Company and the Reporting Accountant would have to carry out substantial work to prepare, update and finalize the Accountant's Report and this prospectus, and the relevant sections of this prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2021 to be finalized in such short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and a delay in the Listing timetable;
2. our Directors and the Joint Sponsors are of the view that, after performing all reasonable due diligence work which they consider appropriate, up to the date of this prospectus, except to the extent disclosed in the paragraph headed "Recent development" in the section headed "Summary", there has been no material adverse change to the financial or trading positions indebtedness, mortgage, contingent, liabilities, guarantees or prospects since September 30, 2021 (being the date of the latest audited statement of financial

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**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND  
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position in the Accountant's Report set out in Appendix I to this prospectus) to the date of this prospectus; and there has been no event since September 30, 2021 which would materially affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus, the loss estimate for the year ended December 31, 2021 as set out in Appendix III to this prospectus and the section headed "Financial Information" in this prospectus and other parts of this prospectus;

3. our Company is of the view that the Accountant's Report covering the period from February 6 to December 31, 2018 and each of the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021, together with the loss estimate for the year ended December 31, 2021 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors confirm that the inclusion of the financial statements for the period from February 6 to December 31, 2018 and each of the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021 in this prospectus includes all information as may be reasonably necessary to enable the investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and the exemption from strict compliance would not prejudice the interests of the investing public; and
4. we will publish our annual results and annual report for the year ended December 31, 2021 within the time prescribed under the Rules 13.46(2) and 13.49(1) of the Listing Rules, respectively. In this regard, we consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2021.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors 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 or deceptive.

### INFORMATION AND REPRESENTATION

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and 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. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken 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 rely only on the information contained in this prospectus and the **GREEN** Application Form 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 and the **GREEN** Application Form must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering. Information contained in our website, located at [www.ainnovation.com](http://www.ainnovation.com), does not form part of this prospectus.

### CSRC APPROVAL

The CSRC issued an approval letter on November 10, 2021 for the Global Offering, the conversion of Domestic Shares and Unlisted Foreign Shares into the H Shares and the making of the application to list our H Shares on the Stock Exchange. In granting this approval, the CSRC does not accept responsibility for our financial soundness, or for the accuracy of any of the statements made or opinions expressed in this prospectus.

### PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our H Shares or exercising any rights attaching to our H Shares. We emphasize that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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our or their affiliates, any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our H Shares or your exercise of any rights attaching to our H Shares.

### REGISTER OF MEMBERS AND STAMP DUTY

Our H Share register of members will be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in our H Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

### REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we act for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not Associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the approval for the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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the H Shares to be converted from Domestic Shares and Unlisted Foreign Shares on the Main Board of the Stock Exchange as described in this prospectus.

We applied on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2020, being RMB462,324,000 (equivalent to approximately HK\$556,012,026), which is over HK\$500 million and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK\$4 billion.

None of the equity and debt securities of our Company is listed on or dealt in on any other stock exchange and nor is any listing or permission to deal being or proposed to be sought.

### COMMENCEMENT OF DEALINGS IN OUR H SHARES

Dealings in our H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, January 27, 2022. Our H Shares will be traded in board lots of 100 H Shares each. The stock code of our H Shares will be 2121.

### ADMISSION OF OUR H SHARES INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, our H Shares on the Main Board of the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H 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 which HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

### LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### EXCHANGE RATE

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.8171 to HK\$1.00, and (ii) the translation between Renminbi and U.S. dollars was made at the rate of RMB6.3742 to US\$1.00, each based on the exchange rates prevailing on January 7, 2022 published by the SAFE.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE  
GLOBAL OFFERING**

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*For further information on our Directors and Supervisors, see “Directors, Supervisors and Senior Management” of this prospectus.*

**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<b>Executive Director</b>		
Mr. Xu Hui (徐輝) .....	Room 1606, No. 2 Lane No. 737 Caoxi North Road Xuhui District, Shanghai PRC	Chinese
<b>Non-executive Directors</b>		
Dr. Kai-Fu Lee (李開復) .....	No. 35, Lane 3 Xinsheng South Road Taipei	Chinese (Taiwan)
Mr. Wang Hua (汪華) .....	Room 301 No. 6 Lane 200, Yueyang Road Xuhui District, Shanghai PRC	Chinese
Mr. Zhou Wei (周偉) .....	Room 205 2/F, Building 6, Tianli Street Chaoyang District, Beijing PRC	Chinese
<b>Independent non-executive Directors</b>		
Mr. Xie Deren (謝德仁) .....	No. 102 Gate 1, No. 6 South Building Tsinghua University Haidian District, Beijing PRC	Chinese
Ms. Ko Wing Yan Samantha (高穎欣) .....	Flat 1A 38 Broadwood Road Happy Valley Hong Kong	Chinese (Hong Kong)
Ms. Jin Keyu (金刻羽) .....	No. 2006, Unit 1, 5/F No. 8 Workers Stadium North Road Chaoyang District, Beijing PRC	Chinese

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE  
GLOBAL OFFERING**

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**SUPERVISORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Ms. Lin Ying (林鶯) .....	No. 1, One South Lane Sanlihe No. 2 District Xicheng District, Beijing PRC	Chinese
Mr. Gu Xuan Richard . . . .	Building A No. 201, Anfu Road, Shanghai PRC	United States
Mr. Nie Mingming (聶明銘) .....	No. 129, No. 2 Gaoxin Road Hongshan District, Wuhan PRC	Chinese

**PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Joint Sponsors**

**UBS Securities Hong Kong Limited**  
52/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

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

**China Renaissance Securities (Hong Kong) Limited**  
Units 8107-08  
Level 81, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**Joint Global Coordinators**

**UBS AG Hong Kong Branch**  
52/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

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

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE  
GLOBAL OFFERING**

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**Joint Bookrunners and Joint Lead  
Managers**

**China Renaissance Securities (Hong Kong) Limited**

Units 8107-08  
Level 81, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**UBS AG Hong Kong Branch**

52/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**China International Capital Corporation Hong Kong  
Securities Limited**

29th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**China Renaissance Securities (Hong Kong) Limited**

Units 8107-08  
Level 81, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**ICBC International Capital Limited**

(in its capacity as Joint Bookrunner)  
37/F, ICBC Tower  
3 Garden Road  
Hong Kong

**ICBC International Securities Limited**

(in its capacity as Joint Lead Manager)  
37/F, ICBC Tower  
3 Garden Road  
Hong Kong

**Shanxi Securities International Limited**

Unit A, 29/F Tower 1, Admiralty Center  
18 Harcourt Road  
Admiralty, Hong Kong

**Eddid Securities and Futures Limited**

23/F, YF Life Tower  
33 Lockhart Road  
Wan Chai, Hong Kong

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE  
GLOBAL OFFERING**

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**Lu International (Hong Kong) Limited**  
Room 3505, 35/F, Bank of America Tower  
12 Harcourt Road  
Central, Hong Kong

**Futu Securities International (Hong Kong) Limited**  
Unit C1-2 13/F United Centre  
95 Queensway  
Admiralty, Hong Kong

**Livermore Holdings Limited**  
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza  
833 Cheung Sha Wan Road  
Kowloon, Hong Kong

**Co-Manager**

**Tiger Brokers (HK) Global Limited**  
18/F, Central 88  
No. 88-98 Des Voeux Road Central  
Hong Kong

**Auditor and Reporting Accountant**

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

**Legal Advisors to the 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:*  
**King & Wood Mallesons**  
18/F, East Tower  
World Financial Center  
No. 1 Dongsanhuan Zhonglu  
Chaoyang District, Beijing  
PRC



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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE  
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**Legal Advisors to the Joint  
Sponsors and the Underwriters**

*As to Hong Kong and U.S. laws:*

**Linklaters**  
11/F, Alexandra House  
Chater Road  
Central  
Hong Kong

*As to PRC law:*

**Commerce & Finance Law Offices**  
12-14/F, China World Office 2  
No. 1 Jianguomenwai Avenue  
Beijing  
PRC

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**  
Suite 2504  
Wheelock Square  
1717 Nanjing West Road  
Shanghai  
PRC

**Receiving Bank**

**Bank of China (Hong Kong) Limited**  
1 Garden Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office and Headquarters</b>	Room 501 Block A, Haier International Plaza No. 939 Zhenwu Road, Economic Development Zone Jimo District, Qingdao Shandong, PRC
<b>Principal Place of Business in Hong Kong</b>	Level 54, Hopewell Center 183 Queen's Road East Hong Kong
<b>Company's Website</b>	<a href="https://www.ainnovation.com">https://www.ainnovation.com</a> <i>(The information on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	Mr. Xiao Lei San'ai Center No. 15 Guanghuali Chaoyang District, Beijing PRC  Ms. Lam Nim Chi <i>(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> Level 54, Hopewell Center 183 Queen's Road East Hong Kong
<b>Authorized Representatives</b>	Mr. Xu Hui Room 1606, No. 2 Lane No, 737 Caoxi North Road Xuhui District, Shanghai PRC  Mr. Xiao Lei San'ai Center No. 15 Guanghuali Chaoyang District, Beijing PRC
<b>Audit Committee</b>	Mr. Xie Deren (Chairman) Mr. Wang Hua Ms. Ko Wing Yan Samantha
<b>Remuneration Committee</b>	Ms. Ko Wing Yan Samantha (Chairwoman) Mr. Zhou Wei Mr. Xie Deren

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## CORPORATE INFORMATION

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**Nomination Committee**

Dr. Kai-Fu Lee (Chairman)  
Ms. Jin Keyu  
Ms. Ko Wing Yan Samantha

**Compliance Adviser**

**Somerley Capital Limited**  
20/F, China Building  
29 Queen's Road Central  
Hong Kong

**H Share Registrar**

**Computershare Hong Kong Investor Services Limited**  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

**Principal Banker**

**Bank of China Jimo Branch**  
No. 973  
Lanao Road, Jimo District  
Qingdao, Shandong  
PRC

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## INDUSTRY OVERVIEW

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*The information that appears in this Industry Overview contains information and statistics on the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by Frost & Sullivan (the “Frost & Sullivan Report”), an Independent Third Party which we commissioned. We believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources set out in this Industry Overview has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of the artificial intelligence industry in China.

Frost & Sullivan is an independent global consulting firm, founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. It has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We are contracted to pay a fee of RMB650,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved review of company reports, independent research reports and data based on Frost & Sullivan’s own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. The Frost & Sullivan Report was compiled based on the following assumptions: (i) China’s economy is likely to maintain a steady growth in the next decade; (ii) China’s social, economic and political environment is likely to remain stable in the forecast period from 2021 to 2025, which ensures the stable and healthy development of the China’s artificial intelligence industry; and (iii) COVID-19 will affect the stability of economy in the short term.

Based on and subject to the aforesaid, our Directors believe that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of the information in this section are appropriate sources and we have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is

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## INDUSTRY OVERVIEW

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false or misleading. After taking reasonable care and based on Frost & Sullivan's views, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the Latest Practicable Date, which may qualify, contradict or have an adverse impact on the information contained in this section.

### ARTIFICIAL INTELLIGENCE IN CHINA

#### Development of Global and China's AI Market

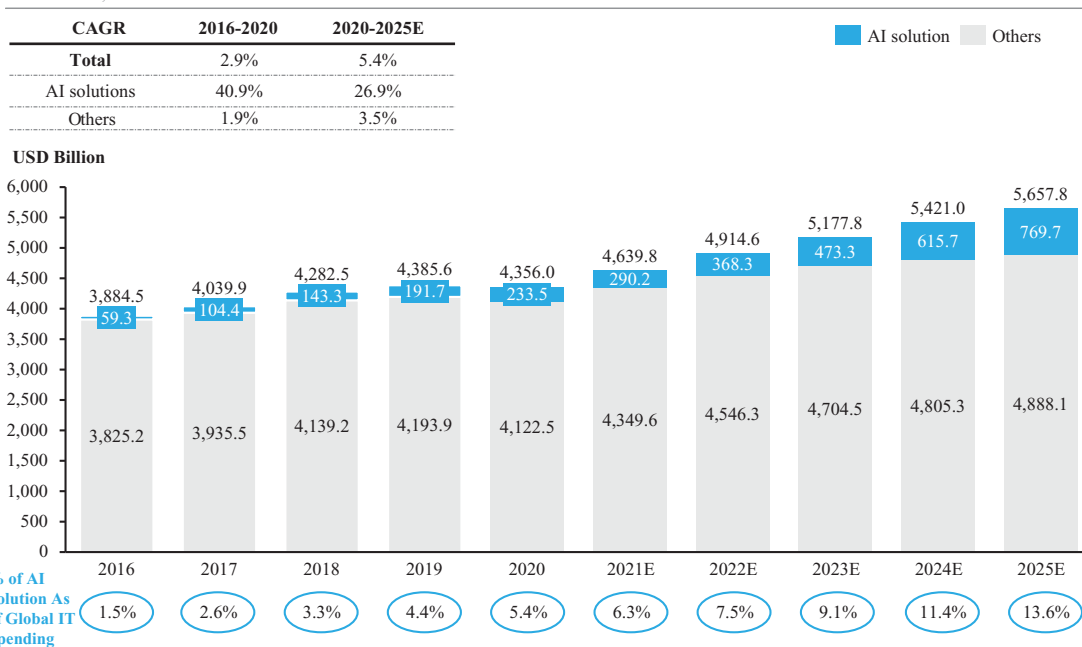
Artificial intelligence is a field of computer science that focuses on simulating human thought and decision-making through machines. According to Frost & Sullivan, developers often adopt deep learning framework to improve the quality of AI algorithms. The framework deploys multiple layers of artificial neural networks to process massive amount of input data and identify patterns and correlations. It is extensively applied to key AI technologies, including computer vision (CV), machine learning, audio recognition and natural language processing.

AI solution refers to an intelligent solution effectively integrating a variety of AI technologies for practical application scenarios in a specific industry. With digital transformation rapidly undergoing globally, there are growing demands for AI solutions from public sectors and enterprises, which can potentially redefine existing operation model and realize significant incremental business values, creating massive market opportunities for the development of artificial intelligence.

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According to Frost & Sullivan, continuous investment has been made in digitalization globally. Global IT spending, including spending on hardware, software and solution and industrial automation equipment reached US\$4,356.0 billion in 2020. With the proliferation of cutting-edge technologies, the global IT spending is expected to reach approximately US\$5,657.8 billion by 2025, representing a CAGR of 5.4% between 2020 and 2025. Artificial intelligence is expected to gradually become one of the key drivers of the digitalization process. According to Frost & Sullivan, global AI related spending has grown from approximately US\$59.3 billion in 2016 to US\$233.5 billion in 2020, representing a CAGR of 40.9% between 2016 and 2020. The percentage of AI related spending in global IT spending has increased from 1.5% in 2016 to 5.4% in 2020. By 2025, global AI related spending is expected to reach US\$769.7 billion, representing a CAGR of 26.9% between 2020 and 2025, constituting 13.6% of total global IT spending. The following chart sets forth the size of the global IT spending and the breakdown by AI and other solutions.

**Global IT Spending<sup>1</sup>, by type of solution**  
USD Billion, 2016-2025E



*Note:*

- IT spending includes spending on hardware system, software and solution. IT spending related to hardware system includes industrial automation equipment (IAE).

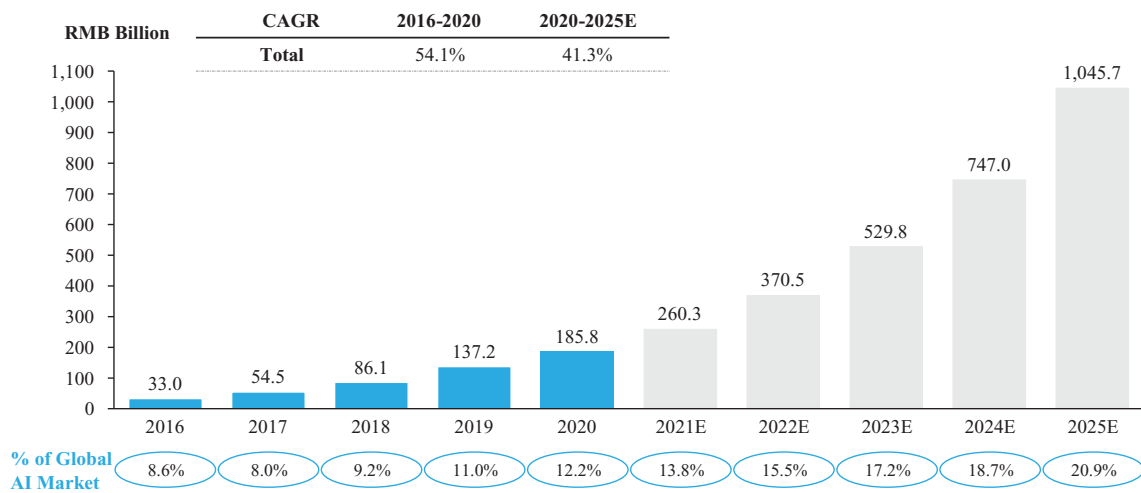


## INDUSTRY OVERVIEW

China is emerging as one of the global leaders in AI market and is one of the pioneer markets for commercialization of AI solutions. The development of AI has been prioritized within the context of the national “New Infrastructure” development plan. According to research by Stanford University, in the year of 2020, researchers from China published 18.0% of all AI journal publications and achieved the highest share of AI journal citations in the world, overtaking the United States and the EU, both of which are major AI powers. The strong R&D capability, gigantic data volume and relatively lower technology personnel costs in the market would jointly drive the future development of China’s AI market. According to Frost & Sullivan, China’s AI market has reached approximately RMB185.8 billion in 2020, accounting for 12.2% of the global AI market, and is expected to reach RMB1,045.7 billion by 2025, accounting for 20.9% of the global AI market. The following chart sets forth the size of China’s AI market and its percentage of the global AI market:

**Market Size of China AI Market**

RMB Billion, 2016-2025E



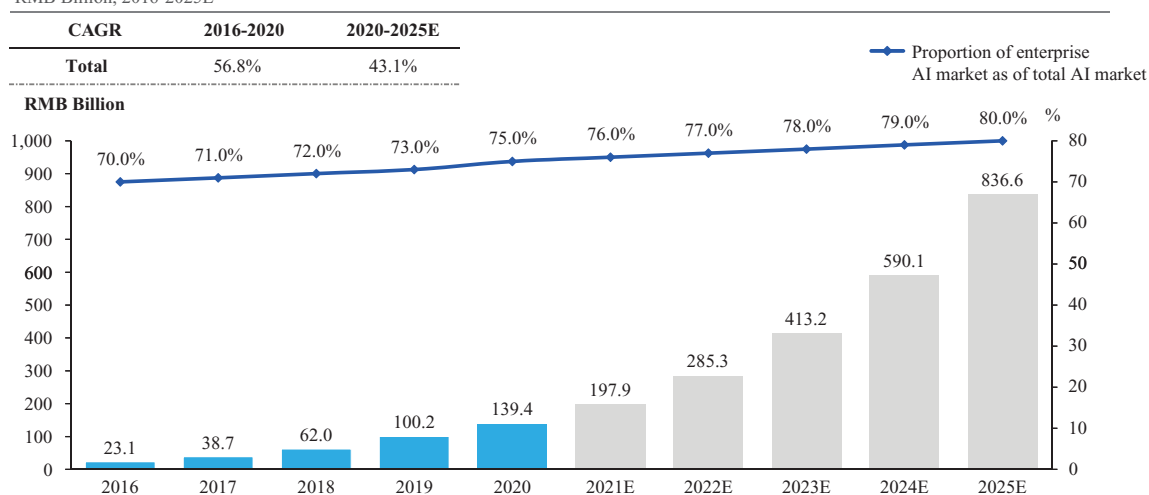
Note:

1) Market size refers to expenditure on both in-house and third-party AI solution, including hardware system, software and services.

## INDUSTRY OVERVIEW

AI solutions can be largely divided into two categories by its intended target group, namely 1) AI solutions for public sectors and 2) AI solutions for enterprises. As compared with public sector users, enterprise users have more diversified and well-defined scenarios and needs for AI-based solutions. The business environment for enterprise AI solutions in China is market-oriented with products and solutions less homogeneous than those that are public sectors oriented. China's enterprise AI market is therefore expected to have high growth potential. According to Frost & Sullivan, the market size of China enterprise AI market has reached approximately RMB139.4 billion in 2020, and is expected to reach approximately RMB836.6 billion by 2025, representing a CAGR of 43.1%. In 2020, the enterprise AI market in China accounts for approximately 75.0% of China's overall AI market, and is expected to expand to approximately 80.0% by 2025. The following chart sets forth the size of China enterprise AI market and its percentage of China's overall AI market:

**China Enterprise AI Market Size<sup>1</sup>**  
RMB Billion, 2016-2025E



Note:

1) Market size refers to expenditure on both in-house and third-party AI solution, including hardware system, software and services.

### Driving Forces of China's AI Market

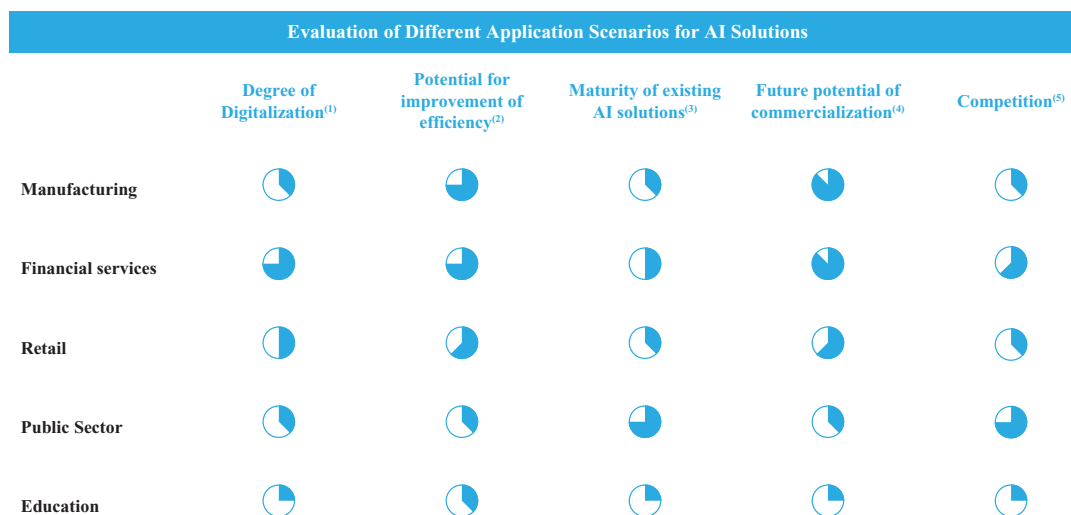
- **Labor shortage and increased labor costs.** The seventh national population census in 2020 shows that China's working-age population, or people aged between 15 to 59 years old stands at 894 million, indicating a decline of 6.79% compared to 2010. The intensified trend of labor shortage and aging population has resulted in the increase of labor cost. As a result, there is a growing need for enterprises to adopt AI solutions for labor intensive tasks to enhance the time and cost efficiencies of productions and operations.
- **Favorable policies.** As China's economy shifts from extensive growth to refined development, there has been an increasing need for enterprises to improve production and operational efficiency and create value through the adoption of AI technologies. In October 2017, the report of the 19th National Congress of the Communist Party of China highlighted the goal of accelerating the development of manufacturing industry and promoting integration of the Internet, big data, AI and the real economy. In April 2020, the National Development and Reform Commission defined the scope of "New Infrastructure" plans, including AI into the layout of new infrastructure. This marked an important starting point for the development of information infrastructure as local governments, including Beijing, Zhejiang and Chongqing, began to introduce supporting policies aimed

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at accelerating adoption of AI solutions through enhancement of fundamental information technologies nationwide.

- **Technology advancement.** The rapid development of computing technologies and algorithms has lowered the threshold for the application of AI technologies. With the development of semiconductor technology, the amount of computation resources available for algorithm training has grown exponentially, while the cost has become more economically viable. Meanwhile, cloud computing, the Internet of Things and 5G technology have together created rich application scenarios where massive data are generated and collected. The rich data in turn promote fundamental research and algorithm development.
- **Consumers' needs.** With the development of China's economy and society, people are seeking smarter and more convenient ways to improve their quality of life. Driven by various AI technologies, smart interactions through devices such as smartphones, smart cars and smart robots have become increasingly common in consumers' daily lives.

AI technologies can effectively reduce costs, improve efficiency and optimize the user experience across many industries. However, the complexity of implementing comprehensive AI solutions in a given industry may depend on the current level of digitalization in that industry, the potential for commercialization, and the competitive environment. Developing mature and effective AI solutions in a given industry often requires in-depth knowledge and sufficient experience in a specific industry. According to Frost & Sullivan, the following chart sets forth a comparative analysis of the maturity of AI solution application in industries with relatively rich AI application scenarios in China:



*Notes:*

- 1) Degree of digitalization refers to the level of IT spending.
- 2) Potential for improvement of efficiency refers to efficiency improvement and the degree of labor forces could be replaced or augmented by AI technologies.
- 3) Maturity of existing AI solutions refers to the comprehensiveness of scenario coverage and the maturity of AI technology under different application scenario.
- 4) Future potential of commercialization refers to future expected potential for product commercialization and market growth.
- 5) Competition refers to intensity of competition of AI solution providers in the industry.

According to Frost & Sullivan, China's manufacturing and financial services industries are providing a favorable environment for commercialization of AI solutions. AI solution providers who focus on these industries will likely enjoy first-mover advantage with extensive experience in

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## INDUSTRY OVERVIEW

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providing AI solutions in enterprise scenarios, technology iteration and product development capabilities.

### Impacts of COVID-19

The outbreak of COVID-19 has caused adverse impacts on the Chinese and global economy. During the COVID-19 pandemic, Chinese government enforced several regulations including travel restrictions, home quarantine and temporary closures of stores and facilities. The pandemic and lockdown of offline businesses have however created opportunities for the technology industry, including AI, IoT, mobile Internet, and cloud service. With the supply chain of enterprises having been significantly affected, in order to survive, many traditional enterprises have undergone digital transformation and adopted more AI-based advanced technologies so as to improve the production quality and efficiency of enterprises and increase their competitiveness.

### Competitive Landscape of China Enterprise AI Market

According to Frost & Sullivan, AI solution providers in China enterprise AI market can be categorized into 1) traditional digital solution providers, whose business model primarily focuses on providing hardware centric or traditional software based solutions, 2) AI technology driven solution providers, whose solutions are primarily oriented towards the application of AI technologies and 3) Internet conglomerates, who also provide AI solutions as part of their comprehensive products and service offerings.

According to Frost & Sullivan, we are a fast-growing enterprise AI solutions provider in China. We ranked as the third largest AI technology driven solution provider in China's enterprise AI market in terms of revenue as of December 31, 2020. The following table shows the revenue for each of the top AI technology driven solution provider in China's enterprise AI market and their respective market share in 2020:

Ranking	Company	Revenue (RMB Million, 2020)	Market Share (% , 2020)
1	SenseTime <sup>(1)</sup>	1,400	1.0%
2	4Paradigm <sup>(2)</sup>	867	0.6%
3	AIInnovation	462	0.3%
4	Megvii <sup>(3)</sup>	390	0.3%
5	YITU <sup>(4)</sup>	380	0.3%
<b>Total Market Size</b>		<b>139,360</b>	<b>100%</b>

*Notes:*

- (1) a CV-based AI solution provider with business covering the public sector, automobile, education, healthcare, manufacturing and financial services.
- (2) an AI solution provider with focus on machine learning platform, covering industries such as financial services, retail, manufacturing, healthcare, and public sector.
- (3) a CV-based AI solution provider with business covering the public sector, logistics, manufacturing and smartphones.
- (4) a CV-based AI solution provider with business covering the public sector, healthcare and financial services.

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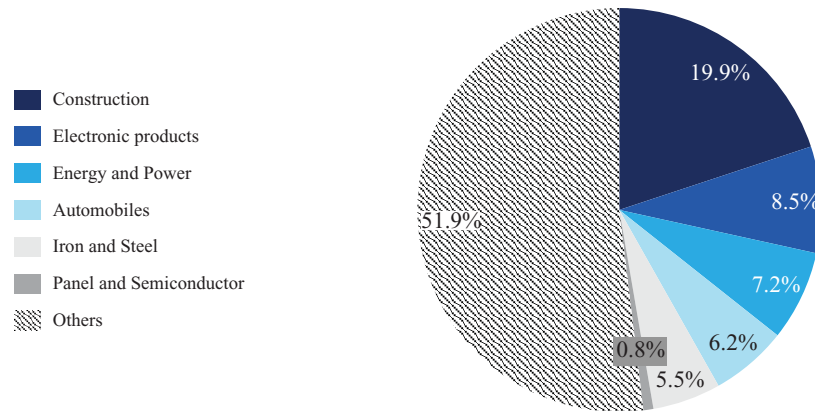
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### AI SOLUTIONS IN CHINA'S MANUFACTURING INDUSTRY

#### Overview of China's AI Solution Market in Manufacturing Industry

As China undergoes economic transformation, manufacturing industry continues to be an important part of China's real economy development. According to National Bureau of Statistics of China, the total operating income of manufacturing enterprises in China with an annual operating income over RMB20 million in 2020 has reached approximately RMB132.5 trillion. Of this, verticals such as iron and steel, energy and power, automobiles, panel and semiconductor, electronic products and construction together account for approximately 48.1% of the total market in 2020.

**Market Size of Manufacturing Industry<sup>1</sup>, by verticals**  
%, 2020



Note:

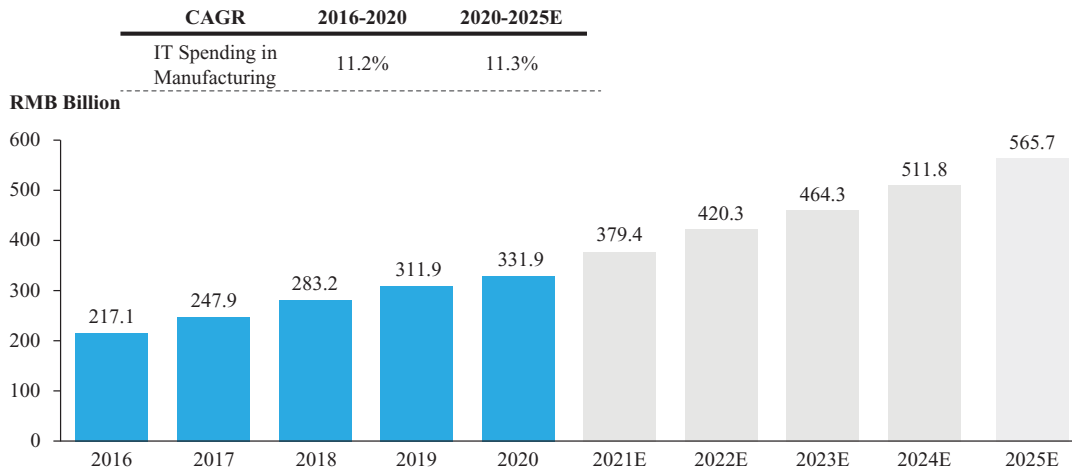
1) Market size refers to total operating income of manufacturing enterprises with annual operating income above RMB20 million

At the same time, the digitalization trend in manufacturing industry continues to accelerate, moving the industry more fully towards the adoption of intelligent solutions. According to Frost & Sullivan, China's IT spending in manufacturing industry has reached approximately RMB331.9 billion in 2020, representing a CAGR of 11.2% between 2016 and 2020, and accordingly, the proportion of IT spending in manufacturing industry to the market size of manufacturing industry in China was approximately 0.3% in 2020. The digital transformation in manufacturing industry is expected to accelerate during the forecast period through a wider adoption of different technology solutions, and this proportion is expected to rise to 0.4% in 2025. As such, IT spending in manufacturing industry is expected to increase to approximately RMB565.7 billion by 2025, representing a CAGR of 11.3% between 2020 and 2025.

## INDUSTRY OVERVIEW

### China IT Spending<sup>1</sup> in Manufacturing Industry

RMB Billion, 2016-2025E



Note:

1) IT spending also includes enterprises' spending on industrial automation equipment (IAE)

The AI-based solutions in manufacturing industry are capable of undertaking certain tasks such as inspection, manipulation, monitoring and transportation, which are usually tackled by manpower. By leveraging AI-based solutions, manpower in the manufacturing industry can be freed from certain repetitive and dangerous tasks and can be relocated to perform tasks with higher economic outputs. According to Frost & Sullivan, in 2020, there were approximately 165.2 million workers in the manufacturing industry in China, and the average labor cost was RMB60,000 per person per year. As approximately two-thirds of the workers in manufacturing companies in China were engaged in production-related tasks, Frost & Sullivan estimates that half of such tasks could be completed by AI-based solutions. Considering that one-third of the tasks in manufacturing industry could be completed by AI based solutions, the theoretical total addressable market of AI based solutions in manufacturing industry as of 2020 was approximately RMB3,270.4 billion. This assumes spending on AI based solutions to replace a portion of labor cost incurred by the manufacturing industry to the extent feasible. Going forward, with the advancement of the industry's digitalization process and further improved technological capabilities, total addressable market of AI based solutions in manufacturing industry is expected to grow continuously.

According to Frost & Sullivan, the market size of AI solutions in manufacturing industry in China has experienced significant growth in the past five years. In 2020, the market size of AI solutions in manufacturing industry in China has reached approximately RMB9.1 billion, accounting for 0.3% of the total theoretical addressable market of AI based solutions in manufacturing industry in 2020 and representing a CAGR of 125.5% between 2016 and 2020. Compared with the aforementioned total addressable market, there are still significant business opportunities to be captured. Moving forward, with more extensive adoption of digital and intelligent technologies, China's AI solution market in manufacturing industry is expected to reach approximately RMB64.9 billion by 2025, representing a CAGR of 48.3% between 2020 and 2025. Among which, according to Frost & Sullivan, the market size of China's AI solution in manufacturing industry provided by third party solutions providers amounts to RMB 3.0 billion in 2020.

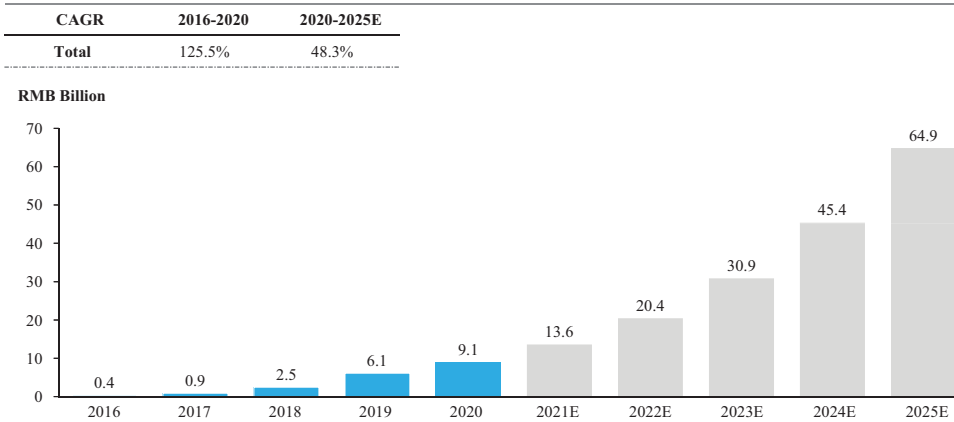


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## INDUSTRY OVERVIEW

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Market Size<sup>1</sup> of AI Solutions in Manufacturing Industry in China  
RMB Billion, %, 2016-2025E



Note:

- 1) Market size refers to expenditure of both in-house and third-party AI solution in manufacturing industry, including hardware system, software and services

### Driving Forces of AI Solutions Market in China's Manufacturing Industry

The government has been emphasizing the need to improve technological capabilities to address existing pain points and to promote industrial upgrading through the implementation of AI and other emerging technologies. Under the 14th Five-Year Plan for Intelligent Manufacturing Development, by 2025, most of China's manufacturing enterprises operating income shall achieve a relatively mature stage of digitalization in operation, and certain key enterprises in core verticals shall move on to the stage of intelligent transformation.

AI solutions have become increasingly popularized in various verticals of manufacturing industry and have benefited the industry in the following aspects, including:

- **Consistency of product quality control.** Product quality and consistency under traditional manual sampling is often unsatisfactory. Quality control system based on computer vision and machine learning algorithm enables the front-end cameras to identify defective products at high speed and to keep up with the production line, directly improving the efficiency and accuracy of quality inspection.
- **Process management efficiency.** Traditional manufacturing industries rely on the expertise of workers to make judgments for process management. Automated computer vision-based process solutions, on the other hand, can significantly reduce the cost of trial and error and improve overall management efficiency. In complex production environments, computer vision-based monitoring and inspection solutions are able to capture errors or trends that could not be detected manually.
- **Reduce Labor cost.** Workforce retention is a strategic priority for most manufacturing companies given the time-consuming and costly training for new workers. The use of AI and automation technologies enables systems and equipment to work around the clock, expanding production capacity over time and helping to reduce labor cost as fewer workers are needed for repetitive tasks. The workforce can be used in key tasks such as system operations, maintenance, and data analysis to create more value.
- **Safety control.** Traditional manufacturing industry relies on manual maintenance and security alerts, lacking in efficiency and effectiveness. Intelligent safety management

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## INDUSTRY OVERVIEW

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solutions, such as the intelligent security management system, the intelligent monitoring system for safe food production, and the intelligent route planning system for high-speed railway, make maintenance and safety control more efficient.

- ***Integrated management capability.*** Manufacturing enterprises usually have a long business chain, including procurement, R&D, production, inventory management, sales, operation and maintenance, and after-sales services. Manufacturers have to process diverse demands from customers, suppliers and service providers. To improve the overall efficiency, manufacturers need to resolve technical problems such as data isolation and port mutual recognition, calling for integrated solutions supporting the whole manufacturing process. AI based management solutions empower manufacturers to allocate their resources more efficiently, make better predictions, and reduce unnecessary inventory costs. Benefiting from improved analytics capabilities, companies can move to predictive maintenance, thereby eliminating downtime costs and reducing maintenance costs.

### Application Scenarios and Forms of AI Solutions in Manufacturing Industry

In light of the common pain points across verticals of the manufacturing industry, common application scenarios and forms of AI solutions can be summarized in the following:

- ***Processing:*** Computer vision-based solution for technical problems at a single point in the production line, such as measurement, object identification, error detection and positioning.
- ***Decision making:*** Utilizing computer vision and data processing capabilities to digitize production lines, and providing AI solution for decision-making process in production.
- ***Data management:*** Central control and intelligent analytics solutions based on machine learning for the management and operation of entire plants or computing centers.

Leading AI solution providers in the manufacturing industry can use cutting-edge computer vision and machine learning technologies, combined with in-depth understanding of the industry pain points and rich practical experience to quickly form customized solutions suitable for specific scenarios through relatively standardized AI modules. Such capability often acts as one of their core competitive advantages and also equips them with experience and know-how when moving into other industries that gradually mature in terms of adopting AI solutions.

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### Competitive Landscape of China's AI Solution Market in Manufacturing Industry

According to Frost & Sullivan, we ranked as the largest AI technology driven solution provider in China's AI solution market in manufacturing industry in terms of revenue as of December 31, 2020. The following table shows the revenue for each of the top AI technology driven solution providers in China's AI solution market in manufacturing industry and their respective market share in 2020:

Ranking	Company	Revenue (RMB Million, 2020)	Market Share (% , 2020)
1	AlInnovation	193	2.1%
2	Aqrose <sup>(1)</sup>	90	1.0%
3	Megvii <sup>(2)</sup>	80	0.9%
4	SmartMore <sup>(3)</sup>	60	0.7%
5	Dongsheng AI <sup>(4)</sup>	30	0.3%
<b>Total Market Size</b>		<b>9,055</b>	<b>100%</b>

According to Frost & Sullivan, we ranked as the largest AI technology driven solution provider in China's AI solution market in manufacturing industry provided by third party solution providers in terms of revenue as of December 31, 2020. The following table shows the revenue for each of the top AI technology driven solution providers and their respective market share in the market of AI solutions in manufacturing industry provided by third party solution providers.

Ranking	Company	Revenue (RMB Million, 2020)	Market Share (% , 2020)
1	AlInnovation	193	6.3%
2	Aqrose <sup>(1)</sup>	90	3.0%
3	Megvii <sup>(2)</sup>	80	2.6%
4	SmartMore <sup>(3)</sup>	60	2.0%
5	Dongsheng AI <sup>(4)</sup>	30	1.0%
<b>Total Market Size</b>		<b>3,040</b>	<b>100%</b>

*Notes:*

- 1) a CV-based AI solution provider with business covering the logistics and manufacturing.
- 2) a CV-based AI solution provider focusing on public sector, manufacturing, logistics and smartphones.
- 3) a CV-based AI solution provider focusing on manufacturing and ultra HD video.
- 4) a CV-based AI solution provider focusing on manufacturing.

The following table shows the market outlook and competitive landscape of the verticals that we focus on in the manufacturing industry:

Industry vertical	Market size (RMB Trillion, 2020)	CAGR		Market outlook and competitive landscape
		Historical market growth (2016-2020)	Forecast market growth (2020-2025E)	
<b>Engineering and Construction</b>	26.4	8.0%	4.2%	<ul style="list-style-type: none"> <li>The construction industry is a pillar industry for China's economic development. In 2020, the market size of the</li> </ul>

## INDUSTRY OVERVIEW

Industry vertical	Market size (RMB Trillion, 2020)	CAGR		Market outlook and competitive landscape
		Historical market growth (2016-2020)	Forecast market growth (2020-2025E)	
<b>High-tech/3C</b>	11.3	6.5%	7.6%	<p>construction industry in China in terms of sales revenue was over RMB25 trillion. With the continuous investment in infrastructure in China, the construction industry is expected to continue to grow in the future.</p> <ul style="list-style-type: none"> <li>In particular, tunnel construction plays a critical role in engineering projects of railways and roads. As of the end of 2020, there were more than 38,000 tunnels in operation in China, which is estimated to increase further in the future, along with the expanding investment in railway and road construction. For example, as of 2020, there were over 3,500 tunnels included in the construction plans of high-speed railways. In addition to new tunnel construction there is also huge demand for the maintenance of the existing tunnels by leveraging intelligent digital solutions.</li> <li>China is the largest manufacturing country for electronic products in the world, and expected to maintain its leadership in the next decades mainly due to its competitive</li> </ul>

## INDUSTRY OVERVIEW

Industry vertical	Market size (RMB Trillion, 2020)	CAGR		Market outlook and competitive landscape
		Historical market growth (2016-2020)	Forecast market growth (2020-2025E)	
				<p>edges in manufacturing technologies and a large manufacturing talent pool. Moreover, compared with other countries, China's effective control of the spread of COVID-19 enables normal daily operation of factories and stability of the supply chain for electronic products. As a result, electronic product manufacturers are inclined to produce these products in China.</p> <ul style="list-style-type: none"> <li>Electronic products manufacturers continually seek technical methods to address the challenges they are facing, such as shortage of labor, increasing labor costs, inconsistency in production due to manual operation. Therefore, automation leveraging intelligent digital solutions will be a trend for electronic products manufacturing.</li> </ul>
<b>Energy and Power</b>	9.6	3.4%	2.0%	<ul style="list-style-type: none"> <li>The energy and power industry is also a fundamental to the economic development in China. With economic growth resulting in a rise in energy and power consumption, total revenue of the energy and power industry increased</li> </ul>

## INDUSTRY OVERVIEW

Industry vertical	Market size (RMB Trillion, 2020)	CAGR		Market outlook and competitive landscape
		Historical market growth (2016-2020)	Forecast market growth (2020-2025E)	
<b>Automotive equipment</b>	8.2	0.9%	1.4%	<p>to more than RMB9.5 trillion in 2020. Driven by stable growth of the macroeconomy and increasing energy and power consumption, the energy and power industry is expected to grow steadily in the next five years.</p> <ul style="list-style-type: none"> <li>For the power sector in China, as of the end of 2020, installed power generation capacity reached 2.2 billion KW, increasing by 9.5% from 2019 to 2020. Installed capacity is expected to grow in the future due to growing power consumption. In particular, as part of the national carbon neutral strategy, wind power has become increasingly important. The installed capacity for wind power reached 281.5 million KW in 2020, growing at the fastest rate among all types of power generation.</li> <li>China produces the most vehicles globally. The total production of vehicles in China reached 25.2 million in 2020, accounting for more than 30% of global vehicle production in the same year. In addition, China</li> </ul>



## INDUSTRY OVERVIEW

Industry vertical	Market size (RMB Trillion, 2020)	CAGR		Market outlook and competitive landscape
		Historical market growth (2016-2020)	Forecast market growth (2020-2025E)	
<b>Iron and Steel metallurgy</b>	7.2	3.8%	3.4%	<p>has become a leader in the fast-growing electric vehicle market. The rise of domestic electric vehicle manufacturers will continuously boost the development and upgrade of China's automobile manufacturing industry.</p> <ul style="list-style-type: none"> <li>Iron and steel production is one of the strongest subfields in manufacturing in China. In 2020, total steel production was over 1.3 billion tons, increasing by 7.7% from 2019. In addition, China's iron production reached over 0.9 billion tons, increasing by 4.3% from 2019. The production of iron and steel is expected to maintain relatively steady growth in the future mainly due to expanding investments in fixed assets and infrastructure.</li> <li>The digitalization rate of the iron and steel industry is relatively low, but the industry is witnessing increasing investments in digital solutions to achieve upgrades in production management, and especially to address the safety challenges.</li> </ul>

## INDUSTRY OVERVIEW

Industry vertical	Market size (RMB Trillion, 2020)	CAGR		Market outlook and competitive landscape
		Historical market growth (2016-2020)	Forecast market growth (2020-2025E)	
<b>OLED panel manufacturing</b>	1.1	16.4%	10.4%	<ul style="list-style-type: none"> <li>As two of the most important fields in China's high-tech manufacturing industry, panel and semiconductor industries are strongly targeted for development, with these two industries having achieved significant growth during past decade. In 2020, the total revenue of China's panel and semiconductor industries increased rapidly to RMB1.1 trillion. Driven by favorable policies to encourage high-tech manufacturing and the development of domestic enterprises, China's panel and semiconductor industries are expected to continue to grow rapidly, posing the fastest growth rate among major verticals of the manufacturing industry.</li> </ul>

### AI SOLUTIONS IN CHINA'S FINANCIAL SERVICES INDUSTRY

#### Overview of China's AI solution Market in Financial Services Industry

China's financial services have experienced steady and high-quality development in recent years due to the country's clear strategic plan to promote a healthy and open financial environment. According to Frost & Sullivan, the total market size of financial services including but not limited to banks, insurance companies, securities companies, and funds and trusts has reached RMB18.8 trillion in 2020, growing from RMB14.9 trillion in 2016 in China. With the Chinese economy growing continuously, the financial services industry is expected to keep expanding and reach RMB25.3 trillion in 2025, growing at a CAGR of 6.0% from 2020 to 2025.

The financial services industry in China is experiencing a new round of digital transformation brought by new technologies including cloud computing, artificial intelligence, blockchain and big data. Financial services industry has steadily increased spending in IT infrastructure, with a series of

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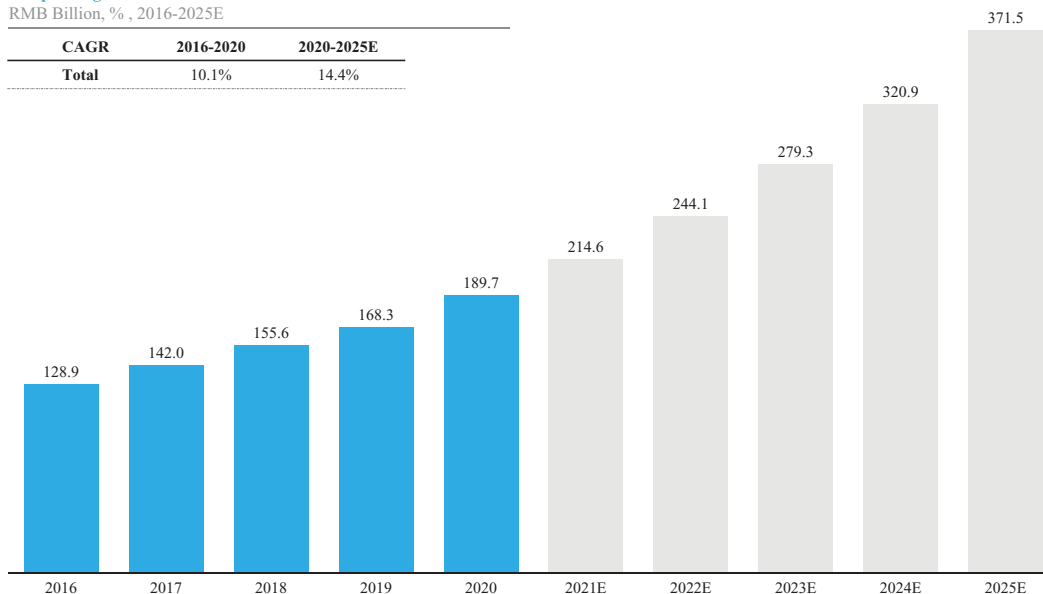
## INDUSTRY OVERVIEW

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supportive governmental policies and strong demand from financial institutions for more digitalized and intelligent infrastructures. According to Frost & Sullivan, the total IT spending by financial institutions was RMB189.7 billion in 2020, and is expected to reach RMB371.5 billion in 2025 with a CAGR of 14.4%, as technologies such as artificial intelligence are gradually applied to more diverse scenarios, covering more types of financial institutions.

**IT Spending of Financial Institutions in China**  
RMB Billion, % , 2016-2025E

CAGR	2016-2020	2020-2025E
Total	10.1%	14.4%



### AI-based Infrastructure Solutions to Financial Services Industry in China

The daily operations of financial institutions generate massive amount of quality and highly standardized data, which provide favorable conditions for implementing AI solutions. These solutions can be applied to a wide range of scenarios in the financial services industry. Among all financial institutions, banks and insurance companies in particular are considered to be the best positioned to apply AI technologies to their daily operations and IT infrastructure maintenance, due to their highly standardized data, ample market opportunities and high commercialization potential, which together provide a favorable application environment for AI-based solutions.

However, as financial institutions have high requirements for system reliability, availability and safety, current application environment of AI-based solutions still faces the following practical challenges:

- **Rising operation and maintenance costs.** As data centers shift from centralized to distributed architectures, giving rise to increasing maintenance costs which create demand for smarter IT infrastructure operations and maintenance services.
- **Inefficient data governance.** Data analysis in financial institutions is less efficient than desired, as daily operation data, IT data and computing data are not connected to one another. Thus, data are still scattered in separated subsystems, calling for sound data governance.
- **Demand for smarter capacity management.** With the rapid development of technologies such as high-frequency trading, requirements for load capacity during peak computing demand periods have increased, and so have the requirements for the stability of underlying computing environment.

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## INDUSTRY OVERVIEW

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As a result, solutions providing intelligent maintenance and data governance can lay a solid foundation for the digital development of financial institutions, and on this basis better accommodate other add-on solutions, creating value in the following ways:

- Intelligent operation solutions also enable infrastructure such as Internet data centers to operate more consistently and efficiently, allowing enterprises to focus more on revenue-generating businesses.
- Data center infrastructure and intelligent operation solutions integrate and process data generated from separate subsystems of daily operation, IT infrastructures and underlying computer powers, accelerating digital transformation and innovation in daily operation.
- Intelligent solutions become schedulers that can optimally allocate computing power to different servers, providing critical support for enterprise cloud operations and maintenance.

According to Frost & Sullivan, the total addressable market of AI-based IT infrastructure solution to financial services industry in China, including total investments in IT infrastructure construction and maintenance for financial services industry, is approximately RMB72.8 billion in 2020. According to the same source, the market size of AI based IT infrastructure solutions to financial services industry in China was RMB1.5 billion in 2020, which accounted for 2.1% of the total addressable market of IT infrastructure solution to financial services industry in China. The basis and assumptions for growth of IT infrastructure for financial service industry are as follows:

1. the growth of the financial services industry and the continuous digital transformation of financial institutions drive the significant investments in IT infrastructure to meet the growing demands of front-end businesses;
2. financial institutions would invest more in new technologies, such as private cloud, to upgrade the architecture of their IT infrastructure, so as to achieve higher IT performance; and
3. financial institutions are embracing AI-based solutions to improve efficiency and performance of their business. Such solutions usually require high-performance computing infrastructure, which are comprised of AI servers, to provide necessary computing power. Investment in AI servers is becoming an important driver for the growth of IT infrastructure for financial services industry.

China's financial services industry is an early adopter of digitalization, and it is investing significant sums in building robust IT infrastructure, which is mainly comprised of data centers. With growing adoption of AI-based applications in the front end of business, the demand for next-generation IT infrastructure, which is capable of efficiently providing computing power needed for AI-based applications and can be operated and maintained in an efficient and intelligent way, has become increasingly urgent. Financial service providers in China are expected to invest an increasing amount of resources in transforming their legacy IT infrastructure into AI-based IT infrastructure.

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## REGULATORY OVERVIEW

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*The following is a brief summary of the laws and regulations in the PRC that currently materially affect our Group and our operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of our Group and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this document, which may be subject to change.*

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our business operations.

### GOVERNMENT POLICIES RELATED TO ARTIFICIAL INTELLIGENCE INDUSTRY

The rapid growth of China's AI market is driven by multiple favorable factors, including government policies. On May 8, 2015, the State Council issued the notice on promulgating Made in China 2025 Plan (《中國製造2025》). Made in China 2025 Plan emphasizes on the acceleration of the promotion of integrated development of new generation information technology and manufacturing technology, and regards intelligent manufacturing as the main direction of comprehensive integration of informatization and industrialization. Meanwhile, it is underlined that efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligent level of R&D, production, management and service of enterprises.

On March 21, 2016, the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Finance issued the Robot Industry Development Plan 2016-2020 (《機器人產業發展規劃2016-2020》), and called to conduct research on cutting-edge technologies such as artificial intelligence related technology as well as planned to lead China's robot industry into a higher level, covering more applicable industries in elderly caring, house services, medical rehabilitation, public securities, and so on, based on artificial intelligence technology.

On July 8, 2017, the State Council issued the Development Plan of A New Generation of Artificial Intelligence (《新一代人工智能發展規劃》). The plan pointed out three strategic steps in developing a new generation of artificial intelligence technology, and set goals to have China's artificial intelligence technology reach leading level in the world and become one of the major artificial intelligence innovation centers in the world.

On November 15, 2017, the Ministry of Science and Technology launched the kick-off meeting on developing a new generation of artificial intelligence technology and important technology projects (新一代人工智能發展規劃暨重大科技項目啟動會). The meeting announced the first batch of four national artificial intelligence innovation platforms: Apollo autonomous driving platform by Baidu, ET by Alibaba Cloud, AI medical imaging platform by Tencent and intelligent speech platform by iFlyTek.

On April 2, 2018, the Ministry of Education issued the Plan for AI Innovation for Higher Educations (《高等學校人工智能創新行動計劃》) and called to build fifty artificial intelligence research centers and co-operation research institutions by 2020.

On November 8, 2018, the Ministry of Industry and Information Technology issued the Plan for Key Tasks in a New Generation of AI Innovation (《新一代人工智能產業創新重點任務揭榜工作方案》)

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and asked to select a batch of innovated companies that own key technologies based on artificial intelligence, and have them collectively focus on enhancing products, platforms, and services with advanced technologies and excellent performance.

On August 1, 2019, the Ministry of Science and Technology issued Guidelines for the Construction of the National New Generation of AI Open Innovation Platform (《國家新一代人工智能開放創新平臺建設工作指引》) and pointed out that “open and sharing” shall be the important philosophy in promoting artificial intelligence innovation and industry development in China, and encouraged to open innovation platforms for companies to do testing, and thus to form standard and modularized models, middleware and applications for providing services to the public in the form of open interfaces, model libraries, algorithm packages, etc.

On January 21, 2020, the Ministry of Education, the National Development and Reform Commission and the Ministry of Finance issued the Advice on Promoting Integration of Subjects and Speeding up Cultivating Graduate Students in AI Field (《關於“雙一流”建設高校促進學科融合加快人工智能領域研究生培養的若干意見》) and called to construct a training system that focuses on cultivating “AI+X” inter-disciplinary talents, emphasizing on improving training practices for graduate students in artificial intelligence field, in order to provide adequate talents in countries technology development.

On February 4, 2020, the Ministry of Industry and Information Technology issued the Proposal of Fully Applying AI Technologies to Fight COVID-19 (《充分發揮人工智能賦能效應協力抗擊新型冠狀病毒感染的肺炎疫情倡議書》), and asked to fully apply artificial intelligence technologies in pandemic control, medical diagnosis, working, studying, and R&D in vaccines.

### LAWS RELATED TO PRODUCT QUALITY

The Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on February 22, 1993 and last amended on December 29, 2018 is the principal governing law related to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (3) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to property of others caused by the defects in the product, if such defects are attributable to the seller. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property of others, the seller shall bear liability for compensation. A seller shall pay compensation if he fails to indicate neither the manufacturer nor the supplier of the defective product. A party that is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), promulgated by the National People’s Congress (the “**NPC**”) on May 28, 2020 and became effective on January 1, 2021, in the event of damages caused to other party due to product defect, the infringed



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party may seek compensation from the manufacturer of the products or from the seller of the products and shall have the right to request the manufacturer and the seller to bear tortious liability such as cessation of infringement, removal of obstruction, elimination of danger, etc.

### **LAWS AND REGULATIONS RELATED TO THE PROTECTION OF CYBER SECURITY, DATA AND PRIVACY**

The PRC government has enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The SCNPC enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to undermine the safe operation of the internet, sabotage national security and social stability, hinder the order of the socialist market economy and social administration, or infringe personal, property and other legitimate rights and interests of individuals, legal persons and other organizations.

In addition, on December 16, 1997, the Ministry of Public Security issued the Administrative Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011. According to the aforementioned measures, no entity or individual shall make use of international connections to harm national security, leak state secrets, infringe on the national, social or collective interests or the legal rights and interests of citizens, or engage in other illegal or criminal activities. If relevant entities violate any provisions of the measures, such entities may be subject to order of rectification within a specified period, warning, confiscation of illegal income, cancellation of business permit or network connection qualifications.

The Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) that was issued and took effect on June 22, 2007 requires the entities that operate and use information systems to fulfill the obligation of the hierarchical protection of information security. The operator or the user of the information systems at Grade II or above shall, within thirty days since the date when its security protection grade is determined, complete the record-filing procedures at the local public security authority at the level of city divided into districts or above.

The Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which was promulgated on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cyber Security Law may subject an internet



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service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even criminal liabilities.

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**”) was passed by the Standing Committee of the 13th NPC at the 29th Session on June 10, 2021 and came into effect on September 1, 2021. The Data Security Law requires the data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities by using the Internet or any other information network, the data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses or even criminal liabilities.

The Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was passed by the Standing Committee of the 13th NPC at the 30th Session on August 20, 2021 and has come into effect on November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) the personal information that has been made public is processed within a reasonable scope in accordance with this Law; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the “**Internet Protection Measures**”) which came into effect on March 1, 2006. The Internet Protection Measures require internet service providers and online entity users to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information of users (including user registration information, log-in and log-out time, advocate calls, accounts, internet web addresses or domain names and log files of system maintenance) for at least sixty days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet service providers and online entity users shall establish corresponding administration systems. Any user registration information shall not be publicized or divulged without users' approval, unless it is otherwise stipulated by any law or regulation.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) that was issued by Ministry of Industry and Information Technology on December 29, 2011 and came into effect on March 15, 2012, internet information

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services providers are prohibited from collecting or providing any information that is relevant to the users and can be, solely or together with other information, used to identify the users to third parties without users' consent unless otherwise required by laws and administrative regulations. Internet information services providers must expressly inform their users of the methods, contents and usages of collecting and processing of users' personal information and may only collect information necessary for providing services. Internet information services providers are also required to properly store the users' personal information, and in case of any leak or possible leak of information, internet information services providers must take remedial measures immediately and report any leak of information that may result in serious consequences to the telecommunications regulatory authorities.

In addition, the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》), promulgated by the SCNPC on December 28, 2012 with immediate effect, emphasizes the need to protect electronic information that contains individual identification information and other private data. This decision requires internet information services providers and other enterprises, public institutions to publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure information security and to prevent any information leak, damage or loss. Furthermore, Ministry of Industry and Information Technology's Rules on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was promulgated on July 16, 2013 and came into effect on September 1, 2013, contains detailed requirements on the collection and use of personal information as well as the security measures to be taken by internet information services providers. "Personal information" includes the user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user either independently or in combination with other information as well as the time, place, etc. for the use of services by the users. Collection and use of user personal information by internet information services providers are subject to users' consent and should abide by the principles of legality, appropriateness and necessity and be within the specified methods, scopes and purposes that are required to be published by such internet information services providers. Internet information services providers and their staff members shall strictly keep confidential the personal information of users collected or used in the course of providing services, and shall not divulge, tamper with, damage, sell or illegally provide others with the same. Internet information services providers should also provide their staff with knowledge and trainings in terms of the knowledge, skills and security responsibilities relating to the protection of the personal information of users.

On September 15, 2018, the Ministry of Public Security issued the Regulations for Internet Security Supervision and Inspection by Public Security Organs (《公安機關互聯網安全監督檢查規定》) (the "**Inspection Regulations**") which took effect on November 1, 2018. Pursuant to the Inspection Regulations, public security authorities shall conduct supervision and inspection on the internet service providers and network users that provide the following services: (1) internet connection, internet data centers, content distributions and domain name services; (2) internet information services; (3) public internet access services; and (4) other internet services. The inspection may relate to whether the internet service providers and network users have fulfilled the cyber security obligations under applicable laws and regulations, such as to formulate and implement cyber security management systems and operational procedures, determine the person responsible for cyber security, and to take technical measures to record and retain user registration information and online log information etc.

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Pursuant to the Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) that was issued and took effect on January 23, 2019, and the Guideline to the Self-Assessment of Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息自評估指南》) that was issued and took effect on March 3, 2019, the App operators shall check whether their privacy policies include the elements that are required to be disclosed to the users.

Internet information service providers may be subject to criminal penalty for failure to protect personal information. The Amendment IX to the Criminal Law of the People's Republic of China (《中華人民共和國刑法修正案(九)》), which was promulgated by the Standing Committee on August 29, 2015 and came into effect on November 1, 2015, provides that selling or providing personal information of citizens in violation of relevant national provisions shall be subject to criminal penalty.

On December 28, 2021, thirteen PRC governmental and regulatory agencies, including the CAC, promulgated the Measures for Cyber Security Review (《網絡安全審查辦法》), which will come into effect on February 15, 2022. The Measures for Cyber Security Review specifies that the procurement of network products and services by operator of critical information infrastructure and the activities of data process carried out by Internet platform operator that raise or may raise “national security” concerns are subject to strict cyber security review by Office of Cyber Security Review established by the CAC. Before critical information infrastructure operator purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, Internet platform operators that possess the personal data of over one million users must apply for a review by the Cyber Security Review Office, if they plan listing of companies in foreign countries. The CAC may voluntarily conduct cyber security review if any network products and services and activities of data process affects or may affect national security. The cyber security review focuses on the assessment of risk factors include (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider comply with PRC laws and regulations; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or exited the country; (vi) regarding to listing, there are risks of critical information infrastructure, core data, important data or a large amount of personal information being influenced, controlled or maliciously used by foreign governments, as well as network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cyber security and data security. It may take approximately 70 business days in maximum for the general cybersecurity review upon the delivery of their applications, which may be subject to extensions for a special review.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulation**”) was proposed by the CAC for public comments until December 13, 2021. The Draft Regulation reiterate that data processors which process the personal information of at least one million users must apply for

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a cybersecurity review if they plan listing of companies in foreign countries, and the Draft Regulation further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. Since the CAC is still seeking comments on the Draft Regulation from the public as of the date of the Prospectus, the Draft Regulation (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

According to the Draft Regulation, data processors who use networks to carry out data processing activities shall be subject to the Draft Regulation. As a data processor, we are required to perform the following obligations after the Draft Regulation is formally adopted:

- to establish and improve the data security management system and technical protection mechanism in accordance with the provisions of relevant laws and regulations;
- to conduct data processing activities in a manner that respects social morality and ethics and does not contravene prohibitions stipulated in the Draft Regulation or other laws and regulations;
- to comply with the requirements of cybersecurity classified protection system;
- to establish emergency response mechanisms for cyber security and data security, data security complaint and reporting channels and other relevant measures;
- to acquire personal information without authorization and to preserve relevant evidence for data collection, especially user consent; and
- to establish protocols to process personal information with clear and reasonable purposes and follow the principles of legality, rightfulness and necessity.

We have adopted the Data Protection Guidelines and relevant measures required by the Draft Regulation and other relevant laws and regulations.

According to the Draft Regulation, if a data processor processes critical data or core data, processes cross-border data transmission or is an Internet platform operator, it shall comply with relevant obligations as provided in the Draft Regulation. Further, given that the data processed by the Group shall not fall into the categories of critical data or core data as provided in Article 73 of the Draft Regulation, we do not process cross-border data transmission in our business operations, and we are not Internet platform operator. Therefore, we are not required to perform its obligations in accordance with the relevant requirements of the Draft Regulation.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the “**Provisions**”) was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and came into effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the

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Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

During the Track Record Period and up to the Latest Practicable Date, we had not engaged in the relevant businesses provided in the Provisions.

The Administrative Provisions on Algorithm Recommendation of Network Information Services (《互聯網信息服務算法推薦管理規定》) (the “Administrative Provisions”) was jointly promulgated by the CAC, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation on December 31, 2021 and will come into effect on March 1, 2022. The Administrative Provisions are applicable to algorithm recommendation service providers, i.e., enterprises that provide internet information services to users by applying algorithm technologies such as generation-synthesis, personalized push, sorting and selection, retrieval and filtering, and scheduling and decision-making.

During the Track Record Period and up to the Latest Practicable Date, we had not engaged in the relevant businesses provided in the Administrative Provisions.

During the Track Record Period and up to the Latest Practicable Date, we have implemented comprehensive internal policies and measures on protection of cybersecurity, data privacy and personal information to ensure continuous regulatory compliance. See “Business — Data Privacy and Protection.”

As of the date of this prospectus, we have not received any investigation, notice, warning, or sanction from applicable government authorities (including the CAC) with regard to our business operations concerning any issues related to cybersecurity and data security. In addition, we have not been involved in any review, investigation, enquiry, penalty, or other legal proceedings initiated by applicable governmental or regulatory authorities or third parties in relation to in relation to cyber security or data protection.

## LAWS AND REGULATIONS RELATED TO ANTI-UNFAIR COMPETITION

### *Anti-Monopoly Law*

According to the Anti-Monopoly Law of the People’s Republic of China (《中華人民共和國反壟斷法》) (the “**Anti-Monopoly Law**”) which was promulgated by the SCNPC on August 30, 2007 and implemented on August 1, 2008, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competition. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has an effect of eliminating or restricting competition. The agencies designated by the State Council are responsible for



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enforcement of the Anti-Monopoly Law. The anti-monopoly enforcement agencies of the State Council may, according to work requirements, delegate relevant anti-monopoly enforcement tasks to the corresponding agencies of the people's governments of provinces, autonomous regions and centrally-administered municipalities pursuant to the provisions of Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the enforcement agencies to stop the illegal act, be imposed a fine or be subject to other restrictive measures.

### *Anti-Unfair Competition Law*

According to the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) which was promulgated by the SCNPC on September 2, 1993 and last revised on April 23, 2019, operators shall comply with the principle of voluntariness, equality, fairness, integrity and abide by laws and business ethics in production and business operation. Under the Anti-Unfair Competition Law, unfair competition refers to an operator who disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-Unfair Competition Law in their production and business operation. Operators who violate the Anti-Unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

## LAWS AND REGULATIONS RELATED TO INTELLECTUAL PROPERTY

### *Trademarks*

The Trademark Law of the People's Republic of China (《中華人民共和國商標法》) (the “**Trademark Law**”) became effective on March 1, 1983 and was last amended on April 23, 2019, and the Implementation Rules of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) became effective on September 15, 2002 and was last amended on April 29, 2014. The Trademark Law and its implementation rules provide the basic legal framework for the regulation of trademarks in the PRC, covering registered trademarks, including commodity trademarks, service trademarks, collective marks and certificate marks. Registered trademarks are protected under the Trademark Law and related rules and regulations. Trademarks are registered with the Trademark Office of the National Intellectual Property Administration. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approved for use on the same or similar commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

### *Patents*

Pursuant to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020 and effective from June 1, 2021 and the Implementation Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, and last amended on January 9, 2010, there are three types of patents, namely, invention, utility model and design. Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. The PRC patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first.

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## REGULATORY OVERVIEW

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To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Unless otherwise stipulated by relevant laws and regulations, a third party must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

### *Copyright and Software Copyright*

Copyright (including software copyright) is mainly protected by the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) as promulgated on September 7, 1990 and last amended on November 11, 2020 by the SCNPC and the Implementing Rules of the Copyright Law of the People's Republic of China (《中華人民共和國著作權法實施條例》) as promulgated on August 2, 2002 and last amended on January 30, 2013 by the State Council. Such law and rules prescribe that Chinese citizens, legal persons or other organizations enjoy copyright protection over their works, whether published or not, in the domain of literature, art and science.

In addition, internet activities, products disseminated over the internet and software products also enjoy copyright. Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and last amended by the State Council on January 30, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Protection of Computer Software.

### *Domain Names*

Internet domain name registration and related matters are regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by Ministry of Industry and Information Technology on August 24, 2017 and taking into effect on November 1, 2017, and the Implementation Rules for the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) promulgated by China Internet Network Information Center and taking into effect on June 18, 2019. Domain name owners are required to register their domain names and the Ministry of Industry and Information Technology is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

## **LAWS AND REGULATIONS RELATED TO LABOR PROTECTION, SOCIAL INSURANCE AND HOUSING PROVIDENT FUNDS**

### *General Labor Contract Rules*

Labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises, individual economic organizations, private non-enterprise entities, etc. and the employees under the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), promulgated on June 29, 2007 and last amended on December 28, 2012. Employers are forbidden to force employees to work overtime or to do so in a disguised manner and employers must



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## REGULATORY OVERVIEW

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pay employees overtime wages in accordance with national regulations. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), promulgated on July 5, 1994 and last amended on December 29, 2018, employers shall establish and improve a system of labor safety and sanitation and shall strictly abide by national rules and standards on labor safety and sanitation and educate employees on labor safety and sanitation so as to prevent accidents during work and reduce occupational hazards. Labor safety and sanitation facilities shall comply with national standards. The employers must also provide employees with labor safety and sanitation conditions that are in compliance with national standards and necessary articles for labor protection.

### *Social Insurance and Housing Provident Fund*

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) passed by the SCNPC on October 28, 2010 and amended on December 29, 2018, each employer and individual in the PRC shall make social insurance contributions, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance and maternity insurance. Employer who fails to promptly pay social insurance contributions in full amount shall be ordered to pay or supplement within a prescribed period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) passed by the State Council on April 3, 1999 and last amended on March 24, 2019, each employer and individual in the PRC shall make housing provident fund contributions. Where, in violation of the provisions of the regulations, an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

### **LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE**

The principal law governing foreign currency exchange in the PRC is the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the “**Forex Regulations**”), promulgated on January 29, 1996 and last amended on August 5, 2008. According to the Forex Regulations currently in effect, international payments in foreign currencies and transfers of foreign currencies under current account shall not be subject to any state control or restriction. Foreign currency transactions under the capital account, such as direct investment and capital contribution, are still subject to restrictions and require approvals from, or registration with, the foreign exchange administrative authorities.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the State Administration of Foreign Exchange (the “**SAFE**”) on February 1, 2005 and amended on December 26, 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange

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## REGULATORY OVERVIEW

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of funds and other conduct involved in overseas listing. The domestic company shall, within fifteen working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the fund settled in the previous foreign exchange settlement (including discretionary settlement and payment-based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the RMB funds obtained from the settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than banks' principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business by the State Administration of Foreign Exchange (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using receipts under capital accounts, such as their capital funds, foreign credits and the income from overseas listing, with no need to provide the evidentiary materials concerning authenticity on a transaction-by-transaction basis to banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. Local foreign exchange authorities shall strengthen monitoring analysis and interim and post regulation.

## LAWS AND REGULATIONS RELATED TO TAXATION

### *PRC Enterprise Income Tax Law*

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), as promulgated on March 16, 2007 and last amended on December 29, 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), as promulgated on December 6, 2007 and amended on April 23, 2019 (collectively the “**Enterprise Income Tax Law**”), enterprise income taxpayers shall include

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resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established within China, or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China; or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Small and Micro Enterprises (《財政部稅務總局關於實施小微企業普惠性稅收減免政策的通知》) promulgated on January 17, 2019, during January 1, 2019 to December 31, 2021, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

Enterprises that are recognized as high-tech enterprises in accordance with the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. The enterprise can re-apply for such recognition as a high-tech enterprise.

### ***Value-Added Tax***

According to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》), as announced by the State Council on December 13, 1993 and last amended on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax.

Unless otherwise provided by laws, the value-added tax rate is: 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, or immovable property leasing services, immovable property, transferring the rights to use land, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

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According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《財政部、國家稅務總局關於簡並增值稅稅率有關政策的通知》), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular of on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, from May 1, 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%; the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

### REGULATIONS RELATED TO THE “FULL CIRCULATION” OF H-SHARE

On November 14, 2019, China Securities Regulatory Commission (the “CSRC”) announced the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》 (the “**Guidelines for the Full Circulation**”). “Full circulation” means listing and circulating on the Hong Kong Stock Exchange of the domestic unlisted shares of a domestic joint stock company (the “**H-share listed company**”), including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders.

According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the application for “full circulation”. To file an application for “full circulation”, an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”. An H-share listed company may apply for “full circulation” separately or when applying for overseas refinancing. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering and listing. After the application for “full circulation” has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within fifteen days after the registration with the China Securities Depository and Clearing Corporation Limited (the “CSDC”) of the shares related to the application has been completed. After domestic unlisted shares are listed and circulated on the Hong Kong Stock Exchange, they may not be transferred back to China.

On December 31, 2019, CSDC and Shenzhen Stock Exchange (the “SZSE”) jointly announced the Measures for Implementation of H-share Full Circulation Business (《H股“全流通”業務實

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施細則》) (the “**Measures for Implementation**”). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation” business, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited (the “**CSDC (Hong Kong)**”) and SZSE.

According to the Measures for Implementation, after having completed relevant information disclosure, the H-share listed companies with the approval of the CSRC to engage in the H-share “full circulation” business shall apply to the CSDC for the deregistration of part or all of the non-foreign listed shares, and shall re-register the fully circulated H-shares which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. Such shares shall become eligible for listing and circulation on the Hong Kong Stock Exchange. Relevant securities are centrally deposited in CSDC for settlement. As the nominal holder of the above-mentioned securities, CSDC handles the depository and holding details maintenance, cross-border clearing and settlement and other businesses involved in the “full circulation” of H-shares, and provides nominal holder services for investors. The H-share listed company shall be authorized by “full circulation” shareholders to choose domestic securities companies that participate in the “full circulation” business of H-shares. “Full circulation” shareholders submit trading instructions of H-shares “full circulation” shares through domestic securities companies. Domestic securities companies shall select a Hong Kong securities company to submit trading instructions of their “full circulation” shareholders to Hong Kong Stock Exchange for trading. After the transaction is concluded, CSDC and CSDC (Hong Kong) shall handle the cross-border clearing and settlement of relevant shares and funds. The settlement currency of H-share “full circulation” transaction business is Hong Kong dollars. Where an H-share listed company entrusts CSDC to distribute cash dividends, it shall file an application with CSDC. An H-share listed company distributing cash dividends may apply to the CSDC for the holding details of relevant shareholders on the securities registration date of applying for cash dividends. The non-H-share “fully circulated” securities listed on the Hong Kong Stock Exchange obtained due to the distribution and conversion of H-share “fully circulated” securities may be sold but shall not be purchased. Where the right to subscribe for the shares listed on Hong Kong Stock Exchange is obtained and the subscription right is listed on Hong Kong Stock Exchange, such right may be sold, but shall not be exercised.

In order to fully promote the reform of H-shares “full circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC promulgated the Circular on Issuing the Guide to the Business for Full Circulation of H-shares (《關於發佈<H股“全流通”業務指南>的通知》) in February 7, 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, CSDC (Hong Kong) also promulgated the Guide to the Business for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股“全流通”業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.



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## HISTORY AND CORPORATE STRUCTURE

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### OVERVIEW

Our history dates back to February 2018 when the predecessor of our Company, namely Shenzhen AInnovation Technology Co., Ltd. (深圳創新奇智科技有限公司) was established and held as to 55.0%, 34.2%, 4.8%, 4.8% and 1.2% by Sinovation Ventures, Xinnuo Zhiqi, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning. Each of Sinovation Ventures and Sinovation Ventures Yucheng was controlled by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying, who have profound insights and experience in investment and management of top-notch companies. In December 2020, our Company changed its name to Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團有限公司). In May 2021, our Company was converted into a joint stock company with limited liabilities. As of the Latest Practicable Date, our Company has an issued share capital of 514,560,438 Shares in a nominal value of RMB1.00 each.

We are committed to delivering AI-related products and customized business solutions leveraging the AI technology, empowering our customers to improve operating efficiency and business value, and realize digital transformation.

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## HISTORY AND CORPORATE STRUCTURE

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### OUR MILESTONES

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

<u>Time</u>	<u>Event</u>
February 2018	Established the Company and started to provide AI solutions to enterprise customers
June 2018	Developed Orion, our distributed machine learning platform
September 2018	Orion was awarded the 2018 China Artificial Intelligence Excellence Award (Deep Learning Computer Platform) in the 2018 China Artificial Intelligence Summit
January 2019	Formed the strategy of focusing on AI + Manufacturing
March 2019	Established CISAI Tech to explore AI-based solution for iron and steel metallurgy
June 2019	Established RewinCloud to explore AI-based products and solutions for financial institutions
December 2019	Awarded the Harvard Business Review Ram Charan Management Practice Awards
January 2020	Developed MatrixVision, our intelligent edge video platform
March 2020	Developed ManuVision, our intelligent machine vision platform
November 2020	Developed the Intelligent Molten Iron Transportation Solution Awarded MIT Technology Review 50 Smartest Companies
February 2021	Established China Railway Qizhi to explore AI-based solutions for construction Ranked in CB Insights, a list of the 100 most promising AI startups across the globe
March 2021	Awarded as an Example Vendor by Garner, being the only PRC-based AI supplier granted such recognition
May 2021	Awarded as a Cool Vendor in AI for Computer Vision, being one of the four suppliers globally and the only PRC-based supply granted such recognition

### OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following subsidiaries principally affected the results, assets, liabilities or businesses of our Group:

#### CISAI Tech

CISAI Tech was incorporated in the PRC on March 29, 2019 with limited liability. It is primarily engaged in intelligent logistics. As of the Latest Practicable Date, CISAI Tech had a registered capital of RMB10 million and was held as to 51% and 49% by our Company and CISDI Group, respectively. The ultimate beneficial owner of CISDI Group is Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601618) and an Independent Third Party except for its indirect shareholding in CISAI Tech.



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## HISTORY AND CORPORATE STRUCTURE

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The salient terms of our joint venture agreement with CISDI Group in relation to CISAI Tech are as follows:

Business scope	Research, design, develop and sell systems and products in AI, computing, and network communications
Registered capital	The registered capital is RMB10,000,000, of which our Company contributed RMB5,100,000 (51% of the registered capital); and CISDI Group contributed RMB4,900,000 (49% of the registered capital).
Strategic synergy	Our Company and CISDI Group will cooperate in industrial AI projects in the agreed verticals, including iron and steel metallurgical industry vertical.
Board of Directors	Seven directors, of which our Company shall appoint four directors, and CISDI Group shall appoint three directors.
Supervisors	Our Company and CISDI Group shall each appoint one supervisor.
Transfer of equity interest	Either shareholder of CISAI Tech who wishes to transfer its equity interest in full or in part shall seek the agreement of the other party, and the other party shall have the first priority to purchase those interest.

### RewinCloud

RewinCloud was incorporated in the PRC on June 14, 2019 with limited liability. Upon establishment, it was held as to 55% and 45% by our Company and Beijing Huiyan Information Consulting Center (Limited Partnership) (北京慧琰信息諮詢中心 (有限合夥)) (“**Beijing Huiyan**”), respectively, whereby the general partner and largest limited partner with 90% partnership interests of Beijing Huiyan is Mr. Zou Quan. Beijing Huiyan has been an investment holding company since establishment. In March 2020, Beijing Huiyan transferred its 45% equity interests in RewinCloud to Tianjin Huiyan Entrepreneurship Service Center (Limited Partnership) (天津慧琰創業服務中心 (有限合夥)) (“**Tianjin Huiyan**”), an investment holding company whose ultimate beneficial owner is also Mr. Zou Quan. Mr. Zou Quan was then an Independent Third Party except for his shareholding in RewinCloud. Mr. Zou Quan has more than 20 years of experience of management and solutions, including successively serving as the client manager, solution manager and general manager of insurance in IBM China. Mr. Zou Quan has been working closely on the operation of RewinCloud and has become acquainted with the Group’s management team. Given his industry knowledge and resources, he later formally joined our Group and currently is a director and the general manager of RewinCloud. Our Company purchased the remaining 15% and 30% equity interests of RewinCloud held by Tianjin Huiyan in April 2020 and December 2020, with a total consideration of RMB124 million, of which RMB101.6 million was paid in 2020, and the remaining RMB22.4 million was settled on October 8, 2021. RewinCloud has become our wholly-owned subsidiary upon completion of the said purchases from Tianjin Huiyan.

RewinCloud is primarily engaged in maintenance of data intelligence and data governance. As of the Latest Practicable Date, RewinCloud had a registered capital of RMB10 million and was wholly-owned by our Company.

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## HISTORY AND CORPORATE STRUCTURE

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On the basis that RewinCloud was established by our Company in 2019, and it has already been a subsidiary which is consolidated and reflected in our Group's financial statements since its establishment, our Directors and the Joint Sponsors are of the view that the purchase of minority equity interests in RewinCloud by our Company is not an acquisition of a subsidiary or a business for the purpose of Rule 4.05A of the Listing Rules and no separate financial information in respect of RewinCloud is required to be disclosed in this prospectus pursuant to such Listing Rule.

### China Railway Qizhi

China Railway Qizhi was incorporated in the PRC on February 2, 2021 with limited liability. It is primarily engaged in engineering and construction detection. As of the Latest Practicable Date, China Railway Qizhi had a registered capital of RMB10 million and was held as to 51% and 49% by our Company and China Railway No. 4. The ultimate beneficial owner of China Railway No. 4 is China Railway Group Limited (中國中鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601390), an Independent Third Party except for its indirect shareholding in China Railway Qizhi.

The salient terms of our joint venture agreement with China Railway No. 4 in relation to China Railway Qizhi are as follows:

Business scope	Research, design, develop and sell systems and products in intelligent quality control, AI, computing, and network communications
Registered capital	The registered capital is RMB10,000,000, of which our Company contributed RMB5,100,000 (51% of the registered capital); and China Railway No. 4 contributed RMB4,900,000 (49% of the registered capital).
Strategic synergy	Our Company and China Railway No. 4 will cooperate in construction AI projects.
Board of Directors	Five directors, of which our Company shall appoint three directors, and China Railway No. 4 shall appoint two directors.
Supervisors	Our Company and China Railway No. 4 shall each appoint one supervisor.
Transfer of equity interest	Either shareholder of China Railway Qizhi who wishes to transfer its equity interest in full or in part shall seek the agreement of the other party, and the other party shall have the first priority to purchase those interest.

### MAJOR CHANGES OF REGISTERED CAPITAL

Upon the establishment of our Company on February 6, 2018, the registered capital of our Company was RMB10,000,000, with Sinovation Ventures, Sinovation Ventures Yucheng, Xinnuo Zhiqi, Mr. Wang Hua and Ms. Tao Ning, holding 55.0%, 4.8%, 34.2%, 4.8% and 1.2% of the equity interests in our Company, respectively. Upon the establishment of Xinnuo Zhiqi in October 2017, its general partner was Qingdao Xinnuo Zhida Technology Co., Ltd. (青島新諾智達科技有限公司) (previously known as Tianjin Xinnuo Technology Co., Ltd. (天津新諾科技有限公司)) (“**Zhida Technology**”) which is wholly owned by Mr. Wang Yonggang, a former director of our Company, while its limited partner was Mr. Wang Yonggang. For information of other

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Shareholders at our Company’s establishment, see “Relationship with Our Single Largest Shareholders Group”.

Since its establishment, our Company has undertaken a series of capital increases to, among others, raise funds for the development of its business and bring in new shareholders to our Company. See “— Pre-IPO Investments”.

On June 3, 2021, the registered capital of our Company was increased to RMB514,560,438 by way of conversion of reserved capital into share capital according to the then existing shareholding structure.

To incentivize the management team, retain talent and promote its long-term sustainable development, our Company adopted six share incentive schemes in 2018, 2019 and 2020 (the “**Old Share Incentive Schemes**”). As part of the arrangements under the Old Share Incentive Schemes, Xinnuo Zhiqi, Qingdao Xinda, Qingdao Xinqi, Qingdao Xinhui, Qingdao Xinyun (Xinnuo Zhiqi, Qingdao Xinda, Qingdao Xinqi, Qingdao Xinhui and Qingdao Xinyun, collectively as the “**Employee Incentive Platforms**”), in total, subscribed for approximately 17.15% equity interests in our Company as of the Latest Practicable Date. Employees who participated in the Old Share Incentive Schemes would be granted options or restricted share awards in the Employee Incentive Platforms. Mr. Xu Hui (in his capacity as the limited partner of Qingdao Xinqi and Qingdao Xinhui), Mr. Zhang Fa’en (in his capacity as the limited partner of Qingdao Xinqi and Qingdao Xinhui) or Mr. Wang Yonggang (in his capacity as the limited partner of Qingdao Xinnuo) would hold the partnership interests in these three Employee Incentive Platforms on behalf of such employees, while the economic returns of the underlying partnership interests would be passed to employees when they exercised the options or restricted share awards. The limited partners of Qingdao Xinda (being Mr. Xu Hui and Mr. Zhang Fa’en) and Qingdao Xinyun (being Mr. Zou Quan) respectively held partnership interests on their own behalf in these two Employee Incentive Platforms. The Old Share Incentive Schemes were later amended, restated and consolidated by the Employee Incentive Scheme, and the options and restricted share awards granted pursuant to the Old Share Incentive Schemes were transferred into conditional rights to obtain interests in the Employee Incentive Platforms. See “Appendix VII — Statutory and General Information — D. Employee Incentive Scheme”.

In April 2021, Mr. Xu Hui decided to convert his partnership interests in the Employee Incentive Platforms into Shares of the Company. On April 20, 2021, Mr. Xu Hui entered into a share transfer agreement with Xinnuo Zhiqi and Qingdao Xinda, respectively, pursuant to which he acquired total registered capital of RMB2,643,405 in the Company with par value.

Since the Group’s incorporation, each of Xinnuo Zhiqi, Qingdao Xinda, Qingdao Xinqi, Qingdao Xinhui and Qingdao Xinyun has been acting as an employee incentive platform for the benefits of the participants under our Group’s Old Share Incentive Schemes. Pursuant to the arrangements under the Employee Incentive Scheme, the following changes have been made to the structure of the Employee Incentive Platforms in May 2021: (i) the general partner of Xinnuo Zhiqi changed from Zhida Technology which is wholly owned by Mr. Wang Yonggang, to Qingdao Xinnuo Zhihe Technology Co., Ltd. (青島新諾智合科技有限公司) (“**Zhihe Technology**”) which is wholly owned by Mr. He Tao; and (ii) each of the general partner of Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun changed from Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司) (“**Zhicheng Technology**”) which is wholly owned by Mr. Xu Hui, to Qingdao Xinhui Zhiqi Technology Co., Ltd. (青島新輝智奇科技有限公司) (“**Zhiqi Technology**”) which is wholly owned by Mr. Lu Yiming.

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### PRE-IPO INVESTMENTS

#### Overview

Details of the Pre-IPO Investments are set out below:

Name of Pre-IPO Investors	Date of Investment	Date of Settlement of Consideration	Amount of Registered Capital Acquired <sup>(3)</sup> (in RMB)	Consideration	Cost Per Share (in RMB) <sup>(1)</sup>	Discount to the Offer price <sup>(5)</sup>	Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised)
Chengwei Evergreen	May 21, 2018	May 21, 2018	539,326	RMB34,000,000	RMB3.50 <sup>(2)</sup>	84.01%	3.18%
Sinovation Ventures Funds	December 30, 2018	January 15, 2019	449,167	RMB36,000,000	RMB4.45 <sup>(3)</sup>	79.67%	
	May 21, 2018	May 23, 2018	404,494 <sup>(4)</sup>	RMB25,500,000	RMB3.50 <sup>(2)</sup>	84.01%	3.34%
	December 30, 2018	January 15, 2019	779,405	RMB75,000,000	RMB5.35 <sup>(3)</sup>	75.59%	
	May 21, 2018	December 31, 2018	539,326 <sup>(4)</sup>	RMB25,500,000	RMB2.63 <sup>(2)</sup>	88.00%	1.18%
Innovation Zhicheng	December 30, 2018	January 15, 2019	779,405	RMB75,000,000	RMB5.35 <sup>(3)</sup>	75.59%	4.26%
Hongxi Investment	January 23, 2019	March 14, 2019	242,423	RMB24,700,000	RMB5.66	74.15%	
Hongyue Investment	December 6, 2019	December 25, 2019	301,729	RMB50,000,000	RMB9.21	57.96%	
	December 30, 2018	February 2, 2019	117,222	RMB11,280,000	RMB5.35 <sup>(3)</sup>	75.59%	3.18%
Honger Investment	January 23, 2019	March 14, 2019	868,996	RMB88,540,000	RMB5.66	74.15%	
	January 23, 2019	March 14, 2019	986,184	RMB100,480,000	RMB5.66	74.15%	3.18%
Huasheng Fund	December 6, 2019	December 23, 2019	905,187	RMB150,000,000	RMB9.21	57.96%	3.76%
Jiaxing Yilang	December 17, 2019	December 27, 2019	264,013	RMB50,000,000	RMB10.52	51.95%	
	December 17, 2019	December 24, 2019	158,408	RMB30,000,000	RMB10.52	51.95%	0.51%
Huangshan SAIF	December 17, 2019	December 26, 2019	105,605	RMB20,000,000	RMB10.52	51.95%	0.34%
SAIF Haohai	December 17, 2019	December 26, 2019	158,408	RMB30,000,000	RMB10.52	51.95%	0.51%
Chuangzhi Fund	September 28, 2020	November 5, 2020	1,480,079	RMB450,000,000	RMB16.89	22.87%	4.76%
Guohe Fund II	September 28, 2020	October 10, 2020	361,797	RMB110,000,000	RMB16.89	22.87%	1.16%
Ronghui Capital	October 12, 2020	October 30, 2020	263,125	RMB80,000,000	RMB16.89	22.87%	0.85%
Huaxing Zhihong	September 28, 2020	October 30, 2020	164,453	RMB50,000,000	RMB16.89	22.87%	0.53%
Wufang Tianya	September 28, 2020	October 15, 2020	98,672	RMB30,000,000	RMB16.89	22.87%	0.32%
Qianhai Puzheng	September 28, 2020	October 15, 2020	32,891	RMB10,000,000	RMB16.89	22.87%	0.11%
Yinfeng Rongjin Investment	September 28, 2020	October 15, 2020	65,781	RMB20,000,000	RMB16.89	22.87%	0.21%
Yunhai Zhicheng	February 22, 2021	March 1, 2021	310,857	RMB100,000,000	RMB17.87	18.39%	1.00%
Hainan Lanyue	March 29, 2021	March 31, 2021	363,714 <sup>(2)</sup>	RMB100,000,073	RMB15.27	30.25%	1.17%
SVF II Zeal	May 21, 2021	May 27, 2021	2,035,585	US\$115,000,000	US\$3.14	8.64%	7.12% <sup>(6)</sup>

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*Notes:*

- (1) Calculated based on dividing the consideration by the number of Shares subscribed. On June 3, 2021, the registered capital of the Company was increased to RMB514,560,438 by way of conversion of reserved capital into share capital according to the then existing shareholding structure.
- (2) The subscription price for Innovation Zhicheng was relatively lower than those of Chengwei Evergreen and Sinovation Ventures Funds, because certain special rights, including the pre-emptive right, anti-dilution right and divestment right, were only granted to Chengwei Evergreen and Sinovation Ventures Funds, and not to Innovation Zhicheng during the Pre-IPO Investment on May 21, 2018. In addition, considering the dilution effect of issuance the arrangement of the Old Shares Incentive Schemes (as defined below) in 2018 after the commercial discussion among the then Shareholders of the Company, Innovation Zhicheng subscribed for a registered capital of RMB46,787 with par value, while Chengwei Evergreen subscribed for a registered capital of RMB46,787 with nil consideration.
- (3) The subscription price for Chengwei Evergreen was relatively lower than those of Sinovation Ventures Funds, Hongxi Investment and Hongyue Investment, mainly because Chengwei Evergreen was granted a warrant for subsequent subscriptions with lower price in May 2018 Pre-IPO Investment and exercised such warrant during the Pre-IPO Investment on December 30, 2018. The investments from Chengwei Evergreen during the Pre-IPO Investment on December 30, 2018 included two portions: (i) a registered capital of RMB353,330 with a consideration of RMB31,279,993 by exercising the warrant granted to it during the Pre-IPO Investment on May 21, 2018; and (ii) a registered capital of RMB49,050 with a consideration of RMB4,720,045, being the cost per share identical to other investors in this round.
- (4) On March 29, 2021, Hainan Lanyue acquired registered capital of RMB145,485 and RMB218,229 from Sinovation Ventures and Innovation Zhicheng with considerations of RMB39,999,864.13 and RMB60,000,208.60, respectively. In addition, Innovation Zhicheng subscribed for a registered capital of RMB46,787 with par value in December 2018.
- (5) Calculated based on the assumptions that (i) the price paid per share is adjusted for the dilutive effective of the Company's conversion of reserved capital into share capital on June 3, 2021 and (ii) the Offer Price is HK\$26.80 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$26.30 to HK\$27.30 per Offer Share.
- (6) Pursuant to the Anti-Dilution Arrangement (as defined below), SVF II Zeal agreed to subscribe for 3,186,100 H Shares as a cornerstone investor, so as to maintain its 7.12% shareholding interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

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## HISTORY AND CORPORATE STRUCTURE

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### Principal Terms of the Pre-IPO Investments

The considerations for each round of Pre-IPO Investments were determined based on arm's length negotiation amongst the respective Pre-IPO Investors and our Group after taking into consideration of the timing of the investments and the status of our business operations.

Pursuant to the as amended and restated shareholders agreement entered into by the Company and the Shareholders, among others, on May 21, 2021 (the "**Shareholders Agreement**"), within 18 months following the Listing, Sinovation Ventures, Mr. Xu Hui and the Employee Incentive Platforms could not dispose of any of the Shares which were held by them immediately before the completion of the Global Offering. In addition, pursuant to the applicable PRC law, within the 12 months following the Listing, other current Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them.

Pursuant to the Shareholders Agreement, SVF II Zeal shall subscribe, at the Offer Price as a cornerstone investor, for such number of Shares to be issued by our Company (the "**Entitled Shares**") as part of a qualified IPO so as to maintain its percentage of shareholding interest in our Company (on a fully-diluted basis) as at immediately before the qualified IPO (the "**Anti-Dilution Arrangement**"), however, if our Company has not completed the qualified IPO by March 31, 2022, SVF II Zeal shall have the right (but no obligation) to subscribe such number of the Entitled Shares as it may decide (the "**Anti-Dilution Right**").

The funds raised from the Pre-IPO Investments amounted to approximately RMB2.5 billion, which were used for R&D on technologies, sales and marketing activities, upgrading of our marketing and management system, and replenishment of our working capital. As of September 30, 2021, approximately 32% of the net proceeds from the Pre-IPO Investments had been utilized. We intend to utilize the remaining net proceeds from the Pre-IPO Investments after the Global Offering.

### Special Rights of the Pre-IPO Investors

Pursuant to the Shareholders Agreement, certain special rights had been granted to the Pre-IPO Investors, including, among others, pre-emptive right, right of first refusal, right of co-sale, information and inspection right and divestment right, as well as anti-dilution right granted to SVF II Zeal. Pursuant to the Shareholders Agreement, the divestment right was automatically terminated when the Company filed its listing application, provided that the divestment right so terminated shall resume automatically in the event that (i) the listing application has been withdrawn, rejected, returned or lapsed; or (ii) the initial public offering does not take place within 15 months from such termination; while the other special rights shall be automatically terminated on the consummation of an initial public offering of any Shares of the Company.

Pursuant to the Anti-Dilution Arrangement, SVF II Zeal agreed to subscribe for 3,186,100 H Shares, so as to maintain its 7.12% shareholding interest in our Company upon the completion of the Global Offering (assuming and on the basis that the Over-allotment Option is not exercised). Please see the sections headed "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Consent in relation to Subscription of the Offer Shares by SVF II Zeal" and "Cornerstone Investors".



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### Strategic Benefits from Pre-IPO Investments

At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company, as well as the Pre-IPO Investors' knowledge and experience. Our Directors were also of the view that our Company could benefit from the Pre-IPO Investors' commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company's performance, strength and prospects.

### Public Float

Upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), (i) Chuangzhi Fund, Hongxi Investment, Honger Investment and Hongyue Investment, each of which is owned by CICC ALPHA (as defined below) which is held as to 51% by CICC (as defined below), in aggregate will hold in excess of 10% of our enlarged issued share capital; and (ii) Innovation Zhicheng is beneficially owned by Mr. Xu Hui, our executive Director, while the remaining Pre-IPO Investors will each hold less than 10% of our enlarged issued share capital. Therefore, except for the Shares held by Chuangzhi Fund, Hongxi Investment, Honger Investment, Hongyue Investment and Innovation Zhicheng, the Shares held by the remaining Pre-IPO Investors will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

### Information about the Pre-IPO Investors

#### *Chengwei Evergreen*

Chengwei Evergreen is a limited partnership established under the laws of the PRC on October 28, 2016. Its general partner is Shanghai Chengwei Evergreen Equity Investment Management Co., Ltd. (上海成為常青股權投資管理有限公司), which is held by Ma Ying and Jiang Shaoqing, who are Independent Third Parties, as to 50% and 50%, respectively. The limited partners of Chengwei Evergreen are Jiang Shaoqing, Wu Minhui and Su Lei, each being an Independent Third Party, holding 60%, 34.4% and 5.5% of the partnership interests. The ultimate beneficial owner of Chengwei Evergreen is Mr. Jiang Shaoqing, who has profound investment and management experience in new technologies, energy and telecommunications since 1999.

#### *Sinovation Ventures Funds*

Sinovation Ventures Funds is a limited partnership established under the laws of the PRC on May 22, 2015. Its general partner is Beijing Hulian Sinovation Ventures Investment Management Limited (北京互聯創新工場投資管理有限公司) ("**Beijing Hulian**"), which is held by Li Puyu, Liu Xiuping, Lin Ying, Xing Wenjing and Tao Wen as to 39.6%, 26.7%, 16.0%, 8.9% and 8.9%, respectively. Except for Lin Ying being our Supervisor, each of Li Puyu, Liu Xiuping, Xing Wenjing and Tao Wen is an Independent Third Party. There are 33 limited partners of Sinovation Ventures Funds, among which Sinovation Ventures (Xiamen) Investment Partnership (Limited Partnership) (創新工場(廈門)創業投資合夥企業(有限合夥)) ("**Sinovation Ventures Xiamen**") is the largest limited partner holding 35.1% of the partnership interests. The general partner of Sinovation Ventures Xiamen is Sinovation Ventures (Xiamen) Investment Management Co., Ltd. (創新工場(廈門)投資管理有限公司), and the ultimate beneficial owner of Sinovation Ventures Xiamen is Li Puyu. The ultimate beneficial owner of Sinovation Ventures Funds is Ms. Li Puyu, and the chief financial officer of Sinovation Ventures Group with profound experience in financial management and investment.



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Despite (a) the minority shareholding in Sinovation Ventures held by Beijing Hulian, Ms. Li Puyu, Ms. Liu Xiuping and Ms. Lin Ying as to 3.1%, 3.4%, 3.6% and 3.4%, respectively; and (b) Ms. Lin Ying serving as a director and senior management member, and each of Ms. Xing Wenjing and Ms. Tao Wen serving as a senior management member of Sinovation Ventures, Sinovation Ventures Funds operates independently of Sinovation Ventures and is not a close associate of Sinovation Ventures as defined under the Listing Rules.

### *Innovation Zhicheng*

Innovation Zhicheng is a limited partnership established under the laws of the PRC on May 17, 2018. Its general partner is Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司), which is wholly owned by Mr. Xu Hui, our executive Director while the limited partners of Innovation Zhicheng include Mr. Xu Hui and other employees of the Group, who held 77.44% and 22.56%, respectively.

### *CICC ALPHA*

Hongxi Investment is a limited partnership established under the laws of the PRC on June 21, 2017. Hongyue Investment is a limited partnership established under the laws of the PRC on June 19, 2017. Honger Investment is a limited partnership established under the laws of the PRC on June 22, 2017. Each of Hongxi Investment, Hongyue Investment and Honger Investment is an investment vehicle with Zhongjin Xicheng (Beijing) Investment Co., Ltd. (仲金熙誠(北京)投資有限公司) acting as the general partner, and Beijing Financial Street Xicheng Equity Investment Fund (Limited Partnership) (北京金融街熙誠股權投資基金(有限合夥)) (“**Xicheng Fund**”) as the sole limited partner. The administrator of Xicheng Fund is CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司) (“**CICC ALPHA**”), a company ultimately owned as to 51% by China International Capital Corporation Limited, a company listed in the Shanghai Stock Exchange (stock code: 601995) and Hong Kong Stock Exchange (stock code: 3908) (“**CICC**”).

Chuangzhi Fund is a limited partnership established under the laws of the PRC on September 24, 2020. Its administrator and general partner is CICC ALPHA, which is ultimately owned by CICC as to 51%.

### *China Renaissance*

Huasheng Fund is a limited partnership established under the laws of the PRC on January 18, 2016 whose general partner is Shanghai Huasheng Youge Capital Management Co., Ltd. (上海華晟優格股權投資管理有限公司). Huaxing Zhihong is a limited partnership established under the laws of the PRC on December 25, 2019 whose general partner is Tianjin Zhiqing Enterprise Management Consulting Partnership (Limited Partnership) (天津智清企業管理諮詢合夥企業(有限合夥)). Each general partner of Huasheng Fund and Huaxing Zhihong is ultimately owned by China Renaissance Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1911) (“**China Renaissance**”), together with its subsidiaries, “**China Renaissance Group**”), which is also the holding company of China Renaissance Securities (Hong Kong) Limited. There are three limited partners of Huasheng Fund and two limited partners of Huaxing Zhihong. The largest limited partner of both Huasheng Fund and Huaxing Zhihong is Ningbo Meishan Free Trade Port Zone Huaxing Lingyun Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區華興領運股權投資合夥企業

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(有限合夥) (“**Huaxing Lingyun**”), which is holding 63.8% and 77.2% of the partnership interests in Huasheng Fund and Huaxing Zhihong, respectively. The general partner of Huaxing Lingyun is Ningbo Meishan Free Trade Port Zone Huaxing Xinshou Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區華興信守股權投資管理中心(有限合夥)), which in turn is controlled by its general partner, Shanghai Quanyuan Investment Co., Ltd. (上海全源投資有限公司) (“**Shanghai Quanyuan**”). Shanghai Quanyuan is ultimately controlled by China Renaissance as a consolidated affiliated entity of China Renaissance Group via contractual arrangements.

### *Jiaxing Yilang*

Jiaxing Yilang is a limited partnership established under the laws of the PRC on August 18, 2016. Its general partner is Beijing Yuying Asset Management Co., Ltd. (北京煜盈資產管理有限公司), which is controlled by Zhao Mei, an Independent Third Party. The limited partner of Jiaxing Yilang is Zhehao Asset Management (Shanghai) Co., Ltd. (喆顛資產管理(上海)有限公司) holding 99.9% of the partnership interest, which is held as to 90% and 10% by Tang Ning and Tian Yan, each being an Independent Third Party. The ultimate beneficial owner of Jiaxing Yilang is Zhao Mei, who is experienced in financial management, including serving as the chief executive officer of the credit business line since 2020 in Yiren Digital Ltd., a company listed on NYSE (stock code: YRD).

### *SAIF*

Huangshan SAIF is a limited partnership established under the laws of the PRC on January 5, 2018. Its general partner is Huangshan SAIF Funds Management Co., Ltd. (黃山賽富基金管理有限責任公司). There are three limited partners of Huangshan SAIF, among which Shenzhen Jinsheng Shuoheng Venture Capital Center (Limited Partnership) (深圳金晟碩恒創業投資中心(有限合夥)) (“**Shenzhen Jinsheng**”) is the largest limited partner holding 40% of the partnership interests. The general partner of Shenzhen Jinsheng is Tibet Jinsheng Shuoxing Asset Management Co., Ltd. (西藏金晟碩興資產管理有限公司), and the ultimate beneficial owner of Shenzhen Jinsheng is Li Ye, an Independent Third Party. SAIF Haohai is a limited partnership established under the laws of the PRC on November 9, 2017. Its general partner is Qingdao SAIF Haohai Investment Management Center (Limited Partnership) (青島賽富皓海投資管理中心(有限合夥)). There are eight limited partners of SAIF Haohai, among which Sifang Chengyu (Qingdao) Investment Management Co., Ltd. (四方承宇(青島)投資管理有限公司) is the largest limited partner holding 28.6% of the partnership interests, which is ultimately owned by Haier Group Corporation (海爾集團公司) (“**Haier Group**”). Tianjin SAIF Shengyuan Investment Management Center (Limited Partnership) (天津賽富盛元投資管理中心(有限合夥)) is the administrator of Huangshan SAIF and SAIF Haohai. The ultimate beneficial owner of Huangshan SAIF and SAIF Haohai is Mr. Andrew Y. Yan, an Independent Third Party, who is the managing partner of SAIF Investment Fund.

### *Guohe Fund II*

Guohe Fund II is a limited partnership established under the laws of the PRC on January 9, 2017. Its general partner is Shanghai Hejian Enterprise Management Partnership (Limited Partnership) (上海和簡企業管理合夥企業(有限合夥)), the general partner of which is Shanghai Zhichen Investment Management Co., Ltd. (上海致晨投資管理有限公司). There are eleven limited partners of Guohe Fund II, among which Li'an Life Insurance Co., Ltd. (利安人壽保險股份有限公司) is the largest limited partner holding 23.1% of the partnership interests. The ultimate beneficial owner of Guohe Fund II is Cheng Fang, an Independent Third Party, who is the president of Shanghai Guohe Modern Service

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Equity Investment Management Co., Ltd. (上海國和現代服務業股權投資管理有限公司), an Independent Third Party and a private equity fund administrator of several modern service funds which are primarily engaged in investment in enterprise service, financial technology, supply chain upgrading, new consumption and new energy and healthcare industry.

### ***Ronghui Capital***

Ronghui Capital is a limited partnership established under the laws of the PRC on June 2, 2020. Its general partner is Sunshine Ronghui Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司). The limited partner of Ronghui Capital is Xiamen Ronghui Hongshang Equity Investment Partnership (Limited Partnership) (廈門融匯弘上股權投資合夥企業(有限合夥)), whose general partner is Xiamen Sunshine Ronghui Investment Management Co., Ltd. (廈門陽光融匯資本投資管理有限公司). The ultimate beneficial owner of Ronghui Capital is Zhang Wenwen, an Independent Third Party, who is the managing director and founder of Sunshine Ronghui Capital Investment Management Co., Ltd., an insurance private equity fund manager.

### ***Wufang Tianya***

Wufang Tianya is a limited liability company established under the laws of the PRC on February 7, 2007. It is held and controlled by Cheng Wenlong (by himself and with his son acting in concert with him), an Independent Third Party who acts as the director and general manager of Wufang Tianya.

### ***Qianhai Puzheng***

Qianhai Puzheng is a limited liability company established under the laws of the PRC on February 22, 2016. It is held by Li Weihua, an Independent Third Party who acts as the executive director and general manager of Qianhai Puzheng, as to 99.9%, while the remaining 0.1% equity interests were held by Guo Qunlian, an Independent Third Party.

### ***Yinfeng Rongjin Investment***

Yinfeng Rongjin Investment is a limited liability company established under the laws of the PRC on August 24, 2012, which is ultimately wholly owned by Yinfeng Investment Group Co., Ltd. (銀豐投資集團有限公司). The ultimate beneficial owner of Yinfeng Rongjin Investment is Wang Wei, an Independent Third Party who acts as the chairman and general manager of Yinfeng Investment Group, an Independent Third Party engaged in several industries including financial investment.

### ***Yunhai Zhicheng***

Yunhai Zhicheng is a limited partnership established under the laws of the PRC on January 25, 2021. Its general partner is Qingdao Haichuang Win-win Business Management Partnership (Limited Partnership) (青島海創共贏企業管理合夥企業(有限合夥)). There are two limited partners of Yunhai Zhicheng, among which Shandong Haichuang Qianfeng Equity Investment Enterprise (Limited Partnership) (山東省海創千峰新舊動能轉換股權投資企業(有限合夥)) is the largest limited partner holding 91.6% of the partnership interests, which is ultimately owned by Haier Group. Yunhai Zhicheng is an investment vehicle of Qingdao Haier Venture Capital Co., Ltd. (青島海爾創業投資有限責任公司). The ultimate beneficial owner of Yunhai Zhicheng is Haier Group, a global leading provider of solutions to better life.

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### *Hainan Lanyue*

Hainan Lanyue is a limited partnership established under the laws of the PRC on April 1, 2017. Its general partner is Beijing Lingyue Investment Management Co, Ltd. (北京瓏嶽投資管理有限公司), which is held by Wang Shuo, Shao Zili and Duan Chengjin, who are Independent Third Parties, as to 37.9%, 34.2% and 27.9%, respectively. There are two limited partners of Hainan Lanyue, among which Jiyuan Minan Technology Co., Ltd. (濟源市民安科技有限公司) is the largest limited partner holding 88.9% of the partnership interests, which is ultimately held as to 90% and 10% by Li Yutian and Guo Xiaohui, each being an Independent Third Party. The ultimate beneficial owner of Hainan Lanyue is Wang Shuo, who acts as the executive director and manager of Beijing Lingyue Investment.

### *SVF II Zeal*

SVF II Zeal is a private company limited by shares established under the laws of Singapore on August 4, 2020. SVF II Zeal is indirectly owned by (i) SoftBank Vision Fund II-2, L.P. (a Jersey limited partnership, which is currently managed by SB Global Advisers Limited) as to 82.75% of its equity interests and 100% of its preferred equity interests; and (ii) Mr. Masayoshi Son (Chairman and CEO of SoftBank Group Corp), as to 17.25% of its equity interests. SB Global Advisers Limited is currently responsible for the daily management and making investment decisions for SVF II Zeal. Both SoftBank Vision Fund II-2, L.P. and SB Global Advisers Limited are wholly-owned subsidiaries of Softbank Group Corp. Softbank Group Corp is a publicly traded company listed on the Tokyo Stock Exchange, with Mr. Masayoshi Son, an Independent Third Party, being its single largest shareholder.

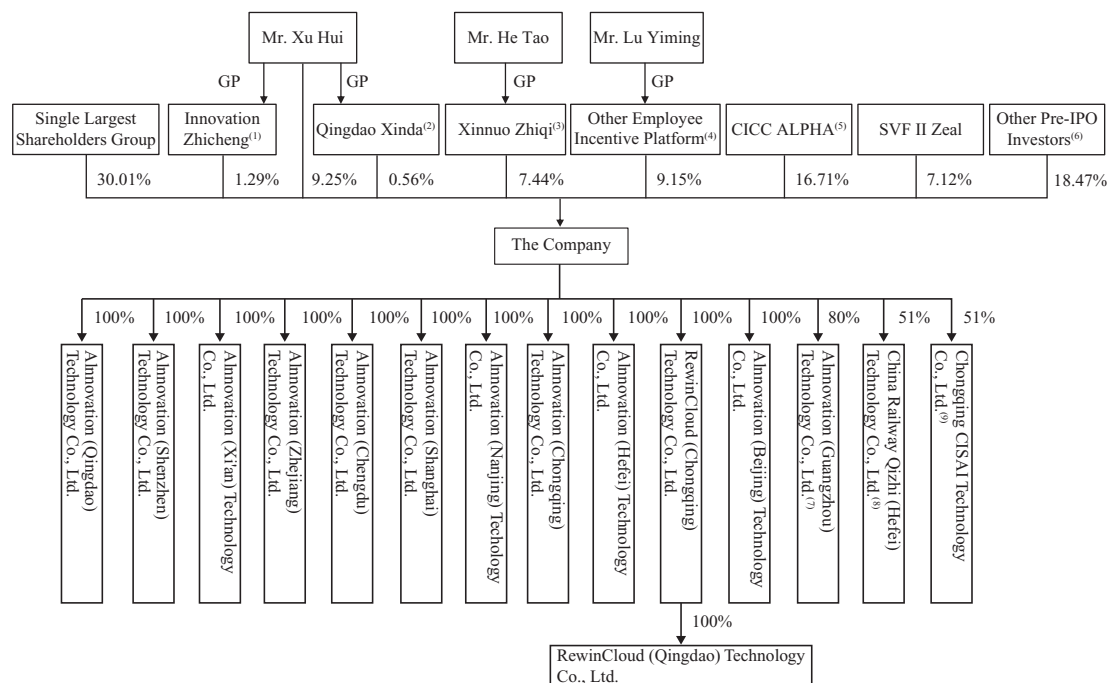
### **Compliance with Interim Guidance and Guidance Letters**

On the basis that (i) the considerations for the Pre-IPO Investments were settled more than 28 clear days before the date of our first submission of the listing application form to the Stock Exchange in relation to the Listing, (ii) the divestment right granted to the Pre-IPO Investors will be automatically terminated when the Company files its listing application, and (iii) all other special rights granted to the Pre-IPO Investors pursuant to the terms of the Pre-IPO Investments will be terminated upon the Listing, the Joint Sponsors are of the view that the Pre-IPO Investments are in compliance with Guidance Letters HKEX-GL29-12, HKEX-GL43-12 and HKEX-GL44-12 issued by the Stock Exchange.

## HISTORY AND CORPORATE STRUCTURE

### CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure immediately prior to the completion of the Global Offering:

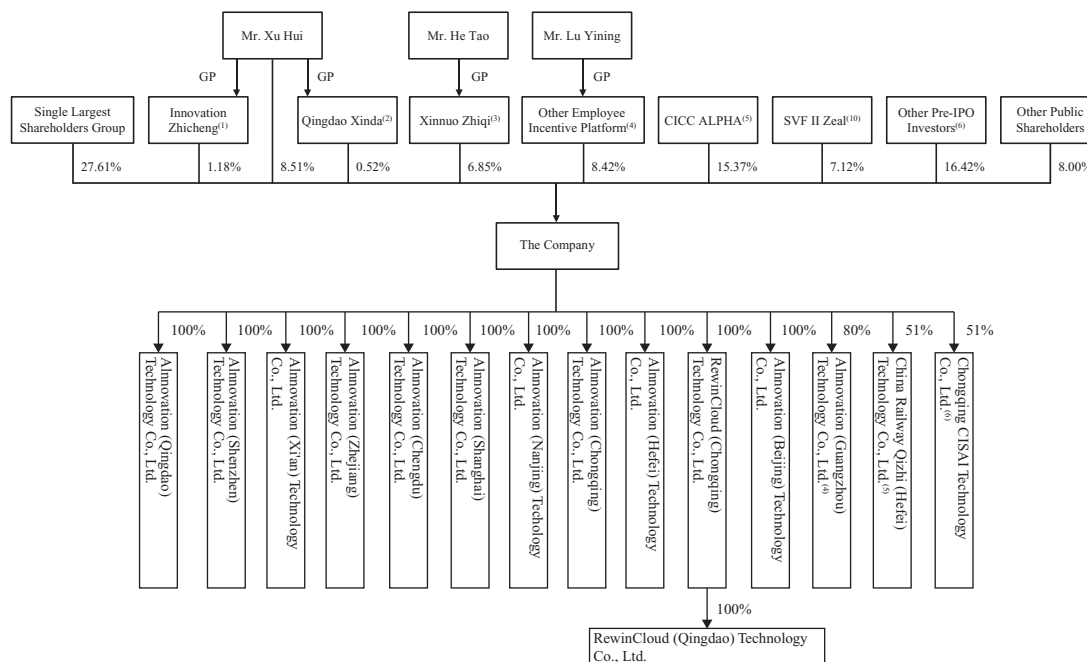


*Notes:*

- (1) The general partner of Innovation Zhicheng is Zhicheng Technology which is wholly owned by Mr. Xu Hui. Innovation Zhicheng subscribed for a registered capital of RMB539,326 with a consideration of RMB25,500,000 in May 2018, and transferred a registered capital of RMB218,229 to Hainan Lanyue in March 2021. See “— Pre-IPO Investments”. In December 2018, Innovation Zhicheng subscribed for a registered capital of RMB46,787 with par value.
- (2) The general partner of Qingdao Xinda is Zhicheng Technology which is wholly owned by Mr. Xu Hui. The limited partner of Qingdao Xinda is Mr. Zhang Fa'en, our Chief Technology Officer participating in our Employee Incentive Scheme.
- (3) The general partner of Xinnuo Zhiqi is Zhihe Technology, which is wholly owned by Mr. He Tao, our Chief Revenue Officer, while the limited partners of Xinnuo Zhiqi were 45 individuals who were our employees or consultants participating in our Employee Incentive Scheme.
- (4) The general partner of each of Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun is Zhiqi Technology, which is wholly owned by Mr. Lu Yiming, our employee. The limited partners of Qingdao Xinhui and Qingdao Xinqi were 77 individuals participating in our Employee Incentive Scheme, among which 37 employees, former employees or consultants acted as limited partners of Qingdao Xinhui, and 46 employees or former employees acted as limited partners of Qingdao Xinqi. While the limited partner of Qingdao Xinyun was Mr. Zou Qian, a director of RewinCloud.
- (5) Each of Hongxi Investment, Hongyue Investment, Honger Investment and Chuangzhi Fund is controlled by CICC ALPHA, which in aggregate will hold 85,968,684 H Shares, representing approximately 15.37% of our enlarged issued share capital upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Therefore, the H Shares to be held by Hongxi Investment, Hongyue Investment, Honger Investment and Chuangzhi Fund will not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.
- (6) Other Pre-IPO Investors include Chengwei Evergreen, Sinovation Ventures Funds, Huasheng Fund, Jiaxing Yilang, Huangshan SAIF, SAIF Haohai, Guohe Fund II, Ronghui Capital, Huaxing Zhihong, Wufang Tianya, Qianhai Puzheng, Yinfeng Rongjin Investment, Yunhai Zhicheng and Hainan Lanyue. The 131,677,254 H Shares to be held by SVF II Zeal and other Pre-IPO Investors (representing approximately 23.54% of our enlarged issued share capital upon completion of the Global Offering assuming the Over-allotment Option is not exercised) will be counted towards the public float of our Company.
- (7) Amnovation (Guangzhou) Technology Co., Ltd. is held by our Company and Huangpu Investment Holding (Guangzhou) Co., Ltd. (黃埔投資控股(廣州)有限公司), an Independent Third Party, as to 80% and 20%, respectively.
- (8) China Railway Qizhi is held by our Company and China Railway No. 4, our connected person at the subsidiary level by virtue of its equity interest in China Railway Qizhi, as to 51% and 49%, respectively.
- (9) CISAI Tech is held by our Company and CISDI Group, our connected person at the subsidiary level by virtue of its equity interest in CISAI Tech, as to 51% and 49%, respectively.

## HISTORY AND CORPORATE STRUCTURE

The following chart illustrate our corporate and shareholding structure immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised):



Notes (1) to (9): Please refer to the shareholding and corporate structure immediately prior to the completion of the Global Offering.

(10) Pursuant to the Anti-Dilution Arrangement, SVF II Zeal agreed to subscribe for 3,186,100 H Shares as a cornerstone investor, so as to maintain its 7.12% shareholding interest in our Company upon the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised).



**OVERVIEW**

We are a fast-growing enterprise AI solutions provider in China. Leveraging our research capabilities in deep learning, we have developed proprietary computer vision and machine learning AI technologies to empower businesses in China. Through integration of AI technologies with our industry insights, we offer full-stack AI-based products and solutions, which consist of AI platforms, algorithms, software and AI-empowered devices, to enable businesses to reduce costs, improve operational efficiency, and optimize decision-making through intelligent transformation of their business operations and information management. In less than three years since our inception, we have established our brand in enterprise AI solutions industry in China. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in enterprise AI solutions market in China in terms of revenue. We have built upon our industry insights to develop AI technologies and deliver AI-based products and solutions for the manufacturing, financial services and other industries in China, which in turn enhance our competitiveness and strengthen our market position.

At the early stage of development since our inception, we assembled our core R&D team comprising of Mr. Zhang Fa'en, our CTO, and approximately 40 algorithm engineers. With the extensive AI-related knowledge and experience of our core R&D team, we initiated various R&D projects and devoted much resources in the R&D of AI technologies, including computer vision and machine learning. See "Business – Research and Development – Early stages of R&D." In November 2018 and December 2018, we obtained our first copyrights and applied for a series of patents in machine learning and computer vision, respectively. As a result of our R&D efforts we developed our proprietary computer vision and machine learning AI technologies, which have won some of the most prestigious international AI challenges. See "Business – Awards and recognitions."

We have independently developed three proprietary AI platforms: ManuVision, our intelligent machine vision platform; MatrixVision, our intelligent edge video platform; and Orion, our distributed machine learning platform. According to Frost & Sullivan, we are one of the nine companies in China with proprietary deep learning platforms. Our AI platforms enable us to accumulate a repertoire of AI technology assets including datasets, operators, algorithm models, design blueprints of hardware components, and software components. Furthermore, our AI platforms enable us to accumulate and iterate algorithm models and build an ever growing algorithm model library, or Model Zoo, a collection of models pre-trained and designed for reusing in our AI-based products and solutions.

Our industry know-how comprises the knowledge and experience in serving customers cross various industry verticals with AI technology. It is derived from the industry experts in our team and the joint ventures we formed with industry leaders in their respective fields and further accumulated from our past project experience. It contributed in accelerating our R&D processes by focusing our efforts in areas with potential commercialization opportunities, and enhancing competitiveness of our proprietary technologies and offerings of products and cost savings. Our technology assets are developed during the R&D process of our proprietary technologies and offerings of products and services, and further accumulated from our solution development and project delivery. Leveraging our industry know-how and our accumulated technology assets, we have developed a rich portfolio of AI-based products and solutions which include assets-based solutions, or ABS, and rapid deployed products, or RDP. Our ABS and RDP can be applied to various business scenarios, with appropriate customization by integrating various ABS or RDP or their respective modules according to customers' requirements. Furthermore, our AI technology assets enable us to develop new ABS or RDP with less engineering efforts and shorter implementation time. Our ABS and RDP have enabled us to develop a suite of products and solutions for our customers.

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In line with the national strategic directives of the construction of “New Infrastructure” in China, we strategically focus on providing AI-based products and solutions for manufacturing industry. We also provide AI-based products and solutions to financial services and other industries. Our AI-based products and solutions are categorized into four value themes, namely Intelligent Production, Edge Vision Analysis, Intelligent Data Center and Intelligent Data Governance. We also offer a suite of AI-based products and solutions for the manufacturing industry, namely AIInnovation Intelligent Manufacturing System. According to Frost & Sullivan, in 2020, we were the largest AI technology driven solution provider in China’s AI solutions market in manufacturing industry in terms of revenue.

In addition, we are building an open architecture technology platform to attract more participants along the AI industry value chain and deepen the cooperation with various industry participants. As our ManuVision and MatrixVision platforms are currently embedded into our ABD and RDP for edge-based deployment on-site for our customers, we plan to develop our ManuVision and MatrixVision platforms to become cloud-based and with enhanced compatibility to connect with more devices and applications from different industry participants via WiFi or 5G network. The open architecture of such platforms will be compatible with plug-ins from third parties. We believe such platform capabilities will attract more participants in the value chain of the AI industry. For instance, third-party developers may develop their own technology assets (such as AI algorithm models and software components) that are plug-ins to our cloud-based platforms and provide additional features or capabilities. Suppliers may also offer devices and hardware components that are compatible with such capabilities, such as industrial cameras. Potential customers may explore their options and purchase or subscribe as needed. Such interactive participation will help create an ecosystem on each of the platforms. In this regard, we allocated approximately 3.6% or HK\$136.7 million in the R&D of cloud-based ManuVision and MatrixVision platforms into open ecosystems. See “Future Plans and Use of Proceeds.” We expect to launch a beta version for testing by end of 2022, and introduce the first version with basic functions by the first half of 2023. We anticipate to launch the full version with general availability by end of 2025.

Our AI-based products and solutions can significantly enhance business values for our customers in manufacturing, financial services as well as other industries:

- ***AI + Manufacturing.*** Guided by our growth direction in new infrastructure and intelligent production and leveraging our AI capabilities in industrial vision, industrial cloud platform and industrial automation, we currently provide customers with AI-based products and solutions for verticals including iron and steel metallurgy, energy and power, automotive equipment, OLED panel and semiconductor, high-tech/3C, and engineering and construction. Our AI-based products and solutions primarily help customers optimize their business or production process, reduce costs, improve operational efficiency and manufacturing flexibility, and realize intelligent transformation of their business operations and information management.
- ***AI + Financial Services.*** According to Frost & Sullivan, AI solutions providers can help financial institutions to enhance and maintain high reliability, availability and security of information and data systems. As data centers transform from a centralized structure to a distributed architecture, financial institutions need more intelligent IT infrastructure operation and maintenance solution. In addition, financial institutions need more efficient data application since their legacy IT infrastructure is unable to process the data generated from daily operations, and data and information are dispersed in separated IT systems within financial institutions. Our AI-based products and solutions for financial services

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industry are applied to intelligent data center infrastructure and operation, intelligent hybrid cloud management and intelligent data governance and application with an aim to help financial institutions enhance reliability of their IT infrastructure which in effect enhance market competitiveness.

- ***AI + Other Industries.*** We also serve customers in other industries, such as retail, information technology and other industries. We primarily provide customers in these industries with AI-based products and solutions to automate certain aspects of their operations, such as their supply chain management, and optimize information management.

The development of our AI platforms and AI-based products and solutions are underpinned by our strong R&D capabilities. Our continuous investments in R&D activities result in a wealth of intellectual properties. As of the Latest Practicable Date, we have applied for 634 AI-related patents, and successfully registered 126 AI-related patents, including 79 invention patents. Since the beginning of 2018, we have won first places in five prestigious international computer vision competitions including the PASCAL Visual Object Classes Challenge 2019 for physical objects detection, the Cityscapes 2019 for image segmentation, the Multiple Object Tracking (MOT) Challenge 2020, the MIT Scene Parsing Benchmark, GOT-10K 2020 for generic object tracking. A number of our academic papers were published by the world's prestigious industry conferences and journals such as the CVPR by IEEE, the ECCV, and journals published by IEEE.

Adhering to our strategic roadmap of “Empowerment, Infusion and Fusion (賦能、注入、融合)”, we have successfully commercialized our AI technologies across several industry verticals. Our go-to-market strategy has established engagements with industry leaders across multiple industries. We work with these customers to address their pain points in their business operations and information management, demonstrating the utility and advantages of our AI-based product and solutions. These customers serve as proof points for other potential customers in their respective industries. Benefiting from the landmark projects with the customers, we have expanded our business footprints in multiple industries and built up a growing and loyal customer base. We have provided AI-based products and solutions to over 400 customers as of the Latest Practicable Date. The number of our customers in the manufacturing industry increased from 16 in 2018 to 93 in 2020. The number of our customers in the financial services industry increased from two in 2018 to 18 in 2020. The number of premium customers increased from 13 in 2019 to 23 in 2020. The total revenue contribution by our premium customers was RMB114.2 million and RMB381.3 million, for 2019 and 2020 respectively. See “Business – Customers” for more details. We believe that the significant business value offered by our AI-based products and solutions will continue to enhance the customer loyalty.

We have experienced a robust growth during the Track Record Period. Our revenue increased from RMB37.2 million in 2018 to RMB229.1 million in 2019 and further increased to RMB462.3 million in 2020, representing a CAGR of 252.5% from 2018 to 2020. Our revenue increased from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the same period in 2021. Our gross profit increased from RMB23.4 million in 2018 to RMB71.6 million in 2019 and further increased to RMB134.6 million in 2020, representing a CAGR of 139.8% from 2018 to 2020. Our gross profit increased from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, we recorded net losses of RMB71.2 million, RMB248.4 million, RMB360.6 million and RMB438.0 million, respectively.

Eliminating impact of items including share-based payment expenses, finance cost of financial liabilities of redeemable shares and listing expenses, we generated an adjusted net losses of RMB45.4 million, RMB160.0 million, RMB144.5 million and RMB81.0 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Adjusted net loss is a non-IFRS measure. See “Financial Information – Non-IFRS Measure” for more details.

## **Our Strengths**

We believe the following competitive strengths contribute to our success:

### **Fast-growing enterprise AI solutions provider with strong innovation and research capabilities**

We are a fast-growing enterprise AI solutions provider in China. Our core competence has been the proven capability in integration of AI technologies with industry insights to provide AI-based products and solutions designed to help businesses reduce costs, improve operational efficiency, increase business values through intelligent transformation of business operations and information management. We are a first mover in offering AI-based products and solutions designed for the manufacturing industry. In less than three years since our inception, we have established our brand in the enterprise AI solutions industry in China. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in the enterprise AI market in China in terms of revenue; and we were the largest AI technology driven solution provider in China’s AI solutions market in the manufacturing industry in terms of revenue.

The development of our AI platforms, algorithms, software and technologies are underpinned by our strong R&D capabilities. Our continuous investments in R&D activities have resulted in a wealth of intellectual properties. As of the Latest Practicable Date, we have applied for 634 AI-related patents, and successfully registered 126 AI-related patents, including 79 invention patents, covering software, algorithms, hardware and product design. Our strong R&D capabilities and proven track record of technological innovations have been highly recognized by academics and the AI industry worldwide. We have won first places in five prestigious international computer vision competitions such as, the PASCAL Visual Object Classes Challenge 2019 for physical objects detection, the Cityscapes 2019 for image segmentation, the Multiple Objects Tracking Challenge 2020, the MIT Scene Parsing Benchmark and GOT-10K 2020 for generic object tracking by outperforming research teams of global technology giants and world-renowned universities. Furthermore, a number of our academic papers were published by the world’s prestigious industry conferences and journals such as the CVPR by IEEE, the ECCV, and journals published by IEEE. In particular, our research papers on Few-shot Learning and Zero-Shot Instance Segmentation demonstrated our R&D effort to reduce the restriction on the amount of sample data on deep learning technology. We believe such research has high practical value in the manufacturing industry where samples are generally limited. As of September 30, 2021, we had approximately 255 employees engaged in AI and technical functions, accounting for 69.1% of our total employees, and approximately 35.7% of our employees held master’s or higher degrees.

In 2020, we were named as one of the “World’s 50 Smartest Companies” by the MIT Technology Review, the “World’s 100 Most Promising AI Companies” by CB Insights, and the “2020 Global Unicorn Club” by CB Insights. As a fast growing company in the AI industry in China, our solution in intelligent production was named in the “China AI Industry Intellectual Property White Paper 2020” and we were also the leading drafter of intelligent production chapter in the “China AI

Industry Intellectual Property White Paper 2020”. In April and May 2021, we were the only Chinese company to be listed as an “Example Vendor” in machine vision and “Cool Vendor” in AI for computer vision by Gartner, respectively.

### **Proprietary AI platforms**

Leveraging our research capabilities in deep learning, we have independently developed world-class proprietary AI platforms, namely ManuVision Intelligent Machine Vision Platform, MatrixVision Intelligent Edge Video Platform and Orion Distributed Machine Learning Platform. Each of the AI platforms has the following features and advantages:

- ***ManuVision Intelligent Machine Vision Platform.*** Our ManuVision Intelligent Machine Vision Platform is an edge-based machine vision inspection software system powered by deep learning technology, designed to locate, measure, detect, and recognize common defects or key metrics. The platform comprises three components, namely, Trainer, Designer, and Runtime, and covers the full spectrum of functions from image labeling, deep learning model training, model testing, inspection pipeline authoring, and online inspection. It significantly improves the quality and reduces the costs for delivering inspection solutions. ManuVision Intelligent Machine Vision Platform is equipped with our proprietary industrial cloud platform, which may operate in a public cloud or on-premise. With WIFI or 5G network, ManuVision running at edge and industrial cloud platform could exchange information bilaterally, including making upgrades to algorithm models enabled by our over-the-air technology, updating status of devices in operation and operation logs.
- ***MatrixVision Intelligent Edge Video Platform.*** Our MatrixVision Intelligent Edge Video Platform systematically combines edge computing and deep learning. Equipped with our proprietary edge computing devices, it performs tasks such as video stream decoding, image encoding and decoding, model conversion and migration, model deployment and real-time inference. Once deployed, MatrixVision will be able to process video streams from cameras and generate real-time data about events of interests, without any transmission of video data over the Internet, saving network consumption and protecting privacy. MatrixVision provides comprehensive and real-time functional interfaces that are adaptable to various commercial applications in terms of model development and hardware compatibility. Similar to the ManuVision platform, our MatrixVision platform is deeply integrated with the industrial cloud platform to realize full-time monitoring and control of edge computing devices through edge-cloud collaboration, as well as dynamic upgrading of algorithm models by over-the-air technology.
- ***Orion Distributed Machine Learning Platform.*** According to Frost & Sullivan, we are one of the nine companies in China with proprietary deep learning platforms. Our Orion Distributed Machine Learning Platform is a machine learning platform. Orion thrives on big data, and encompasses components covering the three key AI elements, namely algorithm, data, and computing power. The technical advantages of Orion are (i) its fully integrated machine learning process that supports one-stop AI solution development while allowing end-users to use each component independently, providing flexibility to augment customers’ existing workflows; (ii) its abilities to process massive real-time heterogeneous data from multiple sources, ensuring high data quality before building AI models; (iii) its AutoML capability, which builds our strong industry know-how into the whole model



development process; and (iv) its capability in dynamic computing resource management and allocation that increases the utilization of computing resources and as such reduces the total cost for customers. Together with the no code development capability, self-learning machine learning greatly lowers the bar for industry customers to build high quality intelligent models.

We have been accumulating and iterating algorithm models on our AI platforms to build a growing library of algorithm models, or Model Zoo, which is a list of models pre-trained for reusing in our products and solutions for our customers. Our algorithm models can be widely used in detection, positioning, measurement and identification, and provides fast, stable and reliable vision algorithms under poor environment in certain business scenarios, thus achieving “algorithm as scenario”, which is closer to actual applications in those industries. For example, our AI-based products and solutions can be used in liquid crystal semiconductor production, engineering radar inspection, intelligent wind power operation and maintenance, automotive equipment manufacturing, and financial services industries.

We are committed to extending the application of our AI technologies to business operations and information management beyond our current footprints, and improving the implementation and delivery capability of our AI-based products and solutions to customers. In addition, we are building an open architecture technology platform to attract more participants along the AI industry value chain and deepen the cooperation with various participants, so as to create an ecosystem including developers, business partners and customers.

### **Industry-leading AI-based products and solutions**

Through integration of AI technologies with our industry insights, we offer full-stack AI-based products and solutions, which consists of AI platforms, algorithms, software and AI-empowered devices, to enable businesses to reduce costs, improve operational efficiency, and optimize decision-making through intelligent transformation of their business operations and information management. We believe that such full-stack AI solutions will unleash the full potential of our capabilities in addressing the pain points experienced by our customers. Further, our strong software-hardware integrated delivery model also heightens the entry barrier for our competitors. We also benefit from understanding best practices of the industry leaders through our customers’ feedback and continuously upgrade and optimize our AI-based products and solutions. Having considered the business cycle, willingness of intelligent transformation, the digitalization of the verticals in manufacturing and financial services industries and our industry know-how, we further focus on eight verticals, namely, iron and steel metallurgy, energy and power, automotive equipment, OLED panel and semiconductor, high-tech/3C, engineering and construction, insurance and banking.

We continuously improve our solution delivery to our customers by streamlining our portfolio of asset based solutions, or ABS, and rapid deployed products, or RDP. Our ABS or RDP can be applied to business operations and information management of customers independently, or with appropriate customization by integrating multiple ABS or RDP or their modules according to customers’ requirements. This requires profound industry expertise and technological innovation, as well as the integration of “optical, mechanical, electrical automatization by software and algorithm” technologies to achieve the standardization and high reusability of ABS and RDP. By quickly deploying, matching and optimizing technology assets, we can create a suitable AI solution with the shortest practicable time to meet the specific needs of end-users. With the continuous accumulation of



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our technology assets, ABS or RDP modules and industry insights, we are able to offer more diversified and user-friendly AI-based products and solutions for various business scenarios, thereby enhancing the competitive barrier and strengthening our market position.

We further developed a suite of industry focused AI-based products and solutions, as well as applications tailored for certain industry verticals or specific to certain customer(s). In particular, we strategically focused on providing AI-based products and solutions for the manufacturing industry and developed a suite of vertical products and solutions, namely AIInnovation Intelligent Manufacturing System. We also provide AI-based products and solutions to financial services and other industries. Our R&D team has developed technologies suitable for practical application in industries, allowing us to provide effective AI products and solutions to our customers. With the continuous accumulation and iteration of ABS and RDP on our AI platforms, we can effectively reduce the delivery costs and shorten fulfilment timeline. Through rapid combination, matching and optimization of highly reusable AI platforms, technology assets, as well as differentiated and customized integration of ABS and RDP according to specific needs of end-users, we are able to provide a suitable solution within the shortest possible time. By constantly providing and efficiently implementing easy-to-use AI-based products and solutions for customers, we have been creating business values for customers and, in turn, strengthening our market position. During the Track Record Period, our products and solutions have brought about the following efficiency enhancements for the relevant customers:

- Our solution in engineering radar inspection improves the efficiency of radar wave analysis by 20 times on average as compared on-site technicians, while ensuring an accuracy of over 98% that is difficult for on-site technicians to achieve.
- The site-wide car matching and tracking technology achieves license plate recognition accuracy of 99.9% even for large gas station with over 2,000 daily throughput.
- A central processing server is able to process videos from over 2,000 cameras with attire conformity issue detection accuracy of 97%.
- The surface OCR solution recognizes characters on irregular product surfaces such as laptop back panels with over 99% accuracy, compared to lower than 85% accuracy our customers have seen with traditional machine recognition methods.
- The AI screw quality inspection machine has a defect detection accuracy of 99%, at measurement accuracy of 0.02mm. With an effective production speed of 250-300 pieces per minute, the detection efficiency is about 8 times higher than that of manual detection.

### **Proven commercialization capabilities with effective go-to-market strategies**

Adhering to our strategic roadmap of “Empowerment, Infusion and Fusion (賦能、注入、融合)”, we focused on commercializing AI technologies and achieved success during the Track Record Period. We have conducted in-depth research in various industries by analyzing different business scenarios with a vision of empowering traditional businesses with AI technologies.

Our go-to-market strategies have proven to be effective in terms of AI productization, customer service and customer acquisition, where we adopted a three-step approach to engage, grow and repeat. During the Track Record Period, we focused on engaging with industry leaders in manufacturing and financial services industries, who are hallmarked by their large data volume and strong willingness for adopting AI-based solutions in addressing certain pain points specific to their business operations. Such business opportunities allowed us to identify their pain points and commercialize our know-how

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into AI-based products and solutions specific for those markets. When we enter into a new vertical, we typically present our AI-based products and solutions to these customers for a single scenario in their business operations and information management as a starting point. It is part of our strategy that the success of the first project will speak volumes in creating customer stickiness and exploring further opportunities with the same customer by addressing different scenarios, so as to participate in the AI transformation cycle of the customer. We regard this as the “1+N” cooperation. Once we have built our portfolio of AI-based products and solutions with such customers, we then expand our footprints in the same industry by approaching similar companies in the same vertical with our offerings. Given the reusability of our ABS and RDP, our solutions are highly replicable and thus adaptable to existing infrastructure of any new customers. We regard this as the “1\*N” expansion, which enabled our AI-based products and solutions to achieve network effect. Our solution in molten iron transportation management has been used in multiple furnace sites, and our solution in liquid crystal semiconductor production was applied and had gone live with multiple customers. In addition, some of our technology solutions can be applied to similar scenarios across different verticals. For example, as of the Latest Practicable Date, our AI-based solution for intelligent defect detection has been adopted by 79 customers across different verticals.

We have demonstrated a proven record of quickly penetrating new industry verticals. During the Track Record Period, we have established business partnerships with industry leaders and technology partners. Such strategic partnerships give us access to their resources and create a win-win ecosystem. For example, we established CISAI Tech and China Railway Qizhi, two joint ventures with CISDI Group and China Railway No. 4 Engineering Group Co., Ltd., respectively. Both joint ventures proved to be successful as we developed solutions in engineering radar inspection and molten iron transportation management, which disrupted the conventional operations of the tunnel construction industry vertical and the iron and steel metallurgical industry vertical respectively. See “Business – Our Solutions – AI + Manufacturing” for more details. We have also established RewinCloud, a wholly-owned subsidiary, in 2019 to focus mainly in providing AI-based products and solutions for financial institutions such as insurance companies and commercial banks. These solutions are designed to optimize business processes, improve customer service capabilities and enhance market competitiveness for our customers. See “– Our Solutions – AI + Financial Services” for more details. During the Track Record Period, we have provided AI-based products and solutions to a number of well-known insurance companies and commercial banks.

We are committed to creating long-term business values to our customers. We believe that taking into account our customers’ medium- and long-term strategic goals in the process of developing our AI-based products and solutions is crucial to our development in the long run, as it would align our commercial interests with theirs. Our senior management team regularly conducts such assessment of our end-users’ needs and our own business strategies, as well as the potential business values we can create for our customers.

### **Growing high-quality and loyal customer base**

We have amassed a large and diversified customer base across manufacturing, financial services and other industries. The number of customers in manufacturing industry increased significantly from 16 in 2018 to 93 in 2020, and from 66 in the nine months ended September 30, 2020 to 71 in the nine months ended September 30, 2021. The number of customers in financial services increased from two in 2018 to 18 in 2020, and remained stable at 12 in the nine months ended September 30, 2020 and 2021. In aggregate, the total number of customers increased from 50 in 2018 to 157 in 2020, and from

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111 in the nine months ended September 30, 2020 to 130 in the same period in 2021. The number of premium customers increased from 13 in 2019 to 23 in 2020. The total revenue contributed by premium customers was RMB114.2 million and RMB381.3 million for 2019 and 2020, respectively. See “– Sales and Marketing – Customers” for more details.

Our market-entry strategy has been to establish engagements with industry leaders across the multiple industries, who became our customers. We work with these customers to address the pain points in their business operations and information management, demonstrating the utility and advantages of our AI-based products and solutions. The success of our solutions and products for these customers deepens the business cooperation and creates cross-selling opportunities. Our business relationship with one of our key customers began in 2018 when we embarked to automate its inventory replenishment protocol in its operations, and we have worked closely with it since then to explore and automate 13 more operational scenarios such as intelligent inventory management, code reading and precision marketing. This collaboration allowed us to expand our offerings and develop our solution in supply chain management. In addition, these customers also serve as proof points for other potential customers in those industries.

Since the inception, we have established business partnerships with industry leaders in manufacturing and financial services industries and we have offered our AI products and solutions to over 400 customers as of the Latest Practicable Date. We believe that the business values created, and the economic benefits offered through our AI-based products and solutions will continue to enhance the loyalty of our diversified customer base.

### **A veteran management team led by industry leaders with extensive enterprise services experiences and industry insights**

Our Chairman of the Board, Dr. Kai-Fu Lee, founded Sinovation Ventures Group in 2009 focusing on developing the next generation of Chinese high-tech companies. Prior to founding Sinovation Ventures Group in 2009, Dr. Lee was the President of Google China, and senior executives at Microsoft, SGI, and Apple. He served as global vice president and president of Google Greater China. During his tenure at Microsoft, Dr. Lee established Microsoft Research Asia in Beijing, one of the world’s top research labs which nurtured a large number of top AI talents. Dr. Lee received his bachelor’s degree in computer science from Columbia University and Ph.D. with the highest honor from Carnegie Mellon University. He is the Co-Chair of Artificial Intelligence Council for World Economic Forum Center for the Fourth Industrial Revolution and recognized as Times 100 in 2013. We have greatly benefited from the extensive influence of Dr. Lee in the areas of AI technology application directions and his recommendation of outstanding AI talents.

Our co-founder and CEO, Mr. Xu Hui, graduated from Shanghai Jiao Tong University with a bachelor’s degree in electronic engineering, and obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. Xu held various senior leadership capacities including serving as the General Manager of the Insurance and Securities Division, the Deputy General Manager of Banking Division in China Region of Financial Services Sector; the General Manager of Services and Products Line Group and Alliances in Greater China Region and the General Manager of Geography Expansion in China Region of Global Technology Services Sector in IBM from November 1996 to November 2009; the Vice President in Greater China Region and General Manager in East and Central Region in SAP from October 2009 to February 2013; the Vice President and General Manager of Microsoft Enterprise & Partner Group (EPG) in Greater China Region, the General Manager of

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Customer Service and Support (CSS) in Greater China Region and Cloud Executive Sponsor in Asia Pacific Region from March 2013 to November 2016; and the Vice President of Wanda Internet Technology Group from November 2016 to January 2018. Mr. Xu has over 25 years of extensive experience in manufacturing, financial services and retail industries with in-depth experiences in sales, products, technology and services. In 2019, Mr. Xu was awarded the Ram Charan Management Practice Awards – Innovation and Entrepreneurship Practice Award and the “Excellence Award” granted by Harvard Business Review. In 2020, Mr. Xu was selected as one of the 100 Most Creative People in China by Fast Company, a renowned business magazine in the United States.

Our management team has strong technology R&D background and extensive enterprise services experience. Mr. Zhang Fa'en, our Chief Technology Officer has approximately 15 years of experience in software, big-data, machine learning and deep learning technology research, development and management and was the chief architect for Baidu AI Cloud. He is supported by our head of products, who has 20 years of experience in technology product development. Our client relationship and services team is headed by Mr. He Tao, our Chief Revenue Officer, who has more than 20 years of experience in management, and is assisted by a team with on average 20 years of relevant experience in enterprise and technology services, including our head of our regional sales, head of our subsidiary RewinCloud and our head of technology services and customer success. In addition, many other of our team members have extensive enterprise services experience.

Our management team and our R&D team are also advised by the Scientific Research Committee led by Academician Ni Guangnan, which consists of world-renowned scholars and industry KOLs. In order to stay in touch with the emergence of cutting-edge technology, we continue to attract world-renowned scholars and industry KOLs to join our Scientific Research Committee. Among them, Ms. Jingjing Liu, the principle investigator and Guoqiang professor from Institute for AI Industry Research, Tsinghua University, joined our Scientific Research Committee in 2021.

We have also built a strong R&D team by recruiting AI talents and industry experts that would shed light in all areas of “industry, academia, and research”. As of the Latest Practicable Date, we had a team of over 200 technical and industry experts from prestigious domestic and overseas universities, such as Harvard, Columbia, Cornell, Tsinghua University, Peking University and Chinese Academy of Sciences, as well as top-notch domestic and overseas companies, such as Google, IBM, Microsoft, Baidu, SAP, Wanda, Huawei, Alibaba, Xiaomi and JD.com. Our technical and industry experts possess strong AI technological expertise and industry insights. We believe our technical and industry experts are crucial for the robust growth of our business operations.

We believe that our management team and talent pool have been the key factors for our past success and will continue to play critical roles in fulfilling our mission.

### **Our Strategies**

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

#### **Continue to optimize our AI platforms and strengthen our R&D capabilities**

Our leading computer vision and machine learning technologies have laid a solid foundation for the rapid growth of our business. We will continue to invest in the optimization and upgrading of our ManuVision Intelligent Machine Vision Platform, MatrixVision Intelligent Edge Video platform, Orion Distributed Machine Learning Platform and corresponding technology assets, which are further

deposited into our three AI platforms. We will continue to recruit AI talents and industry experts to enhance our R&D capabilities. We expect to recruit approximately 600 AI talents and industry experts in the next four years, particularly those specialize in deep learning technologies and programming languages. According to Frost & Sullivan, as of 2020, there are tens of thousands of AI talents and industry experts in China. We plan to further strengthen our computing power and data storage capabilities and continue to improve our data privacy protocols and information security management. See “ — Data Privacy and Protection” for details.

We will continue to accumulate and iterate more algorithms through our AI platforms that are adaptable to the practical applications in specific industries, thereby enriching our Model Zoo. We will continue to upgrade our ABS and RDP by improving their standardized features and enhancing reusability. This would reduce costs due to customized delivery and improve efficiency in solution deployment, which in turn enhances our competitive strengths.

We seek to continue with the accumulation of our technology assets and industry insights and grow our current portfolio of AI-based products and solutions. We believe that we can leverage on our technology assets and offer a wider variety of effective AI-based products and solutions suitable for different business scenarios, thereby strengthening our market position in the enterprise AI solutions industry in China.

We will continue to build an open architecture technology platform with better adaptability to connect more devices and applications provided by us or our partners. We believe it would enhance our platform capabilities and attract more participants in the value chain of AI industry. We believe that enhanced adaptability and reduced complexity of our platforms will facilitate our partnerships with a large number of participants in the ecosystem from developers, partners to ultimately our customers, and continuously strengthen our market position.

### **Continue to grow and enrich our solution offerings**

We will continue to develop new AI-based products and solutions including intelligent cloud platforms and PaaS and SaaS products to meet various deployment needs in different business scenarios. We expect to use approximately 22.5% of the net proceeds from the Global Offering to develop aforesaid cloud-based AI products and solutions. See “Future Plan and Use of Proceeds” for details of the relevant R&D projects, plan and estimated staff to be hired for such projects. Further, we will continue to infuse our industry know-how and capabilities to build verticalized cloud platforms and build an ecosystem powered by both cloud and edge computing. According to Frost & Sullivan, in light of the less budget for IT and software system spending compared to large scale enterprises or industry leaders, small and medium-sized enterprises (“SMEs”) prefer more standardized products rather than AI solutions under private deployment with advanced customization. Our planned cloud-based products, such as SaaS, PaaS and intelligent cloud platforms, can address SMEs’ needs for standardized AI-based products and solutions with competitive pricing to improve their operating efficiency and reduce costs. For instance, we can provide defect detection, intelligent automation solutions for SMEs that do not require the purchase of substantial hardware or IT equipment. Therefore, we believe that a comprehensive suite of AI-based products and solutions will position us to capture unmet demands (such as SMEs) in manufacturing, financial services and other industries.

We will continue to expand and diversify the range of our AI-based products and solutions in manufacturing and financial services industries. Leveraging our accumulated technological know-how



and insights in the market trends and the business models of industry participants, we will further penetrate into the different segments of manufacturing and financial services industries and other industry verticals via our 1+N cooperation and 1\*N expansion to meet more needs of our end-users.

### **Continue to enhance our commercialization capabilities**

We will further enhance the commercial value of our AI-based products and solutions. Through project experience gained from serving our customers, we will continue to refine our AI technologies based on the accumulated industry insights, so as to upgrade and optimize our AI-based products and solutions. We believe such efforts can streamline the intelligent transformation of business operations and information management for our customers, so as to support their strategic business development.

We plan to explore new commercial scenarios where we can apply our AI technologies and innovate new AI-based products and solutions that can address more pain points experienced by businesses. Through deepening our collaborative relationships with customers, we will further explore new opportunities in the value chain of existing customers and effectively address other major pain points in those industries. We can harness our competencies in AI technologies and industry insights, thereby expanding our business footprints and creating more commercial values to both existing and potential customers.

### **Continue to broaden our customer base and deepen the relationships with customers**

We will expand our customer base through our sales and marketing efforts. We plan to expand our in-house sales team and strengthen our cooperation with third-party system integrators. We believe that success of landmark projects for our customers confers recognition and will put us in a strategic position to expand our footprints in those industries, or penetrate into new verticals with significant unmet demand for our AI-based products and solutions. With our accumulated project experience, our sales team will explore the needs of end-users and work with our R&D team to offer corresponding solutions. We also expect to promote our brand and solutions by participating in industry events.

We will further deepen and broaden our business cooperation with our customers in manufacturing and financial services industries. Focusing on our customers' success in their respective industries is critical for our long-term relationships with them. We strive to align the development of our AI-based products and solutions with their medium-term and long-term strategic goals and create long-term value to our customers.

We believe that success of every project will create more cooperation and cross-selling opportunities for us to meet the evolving needs of our end-users. Furthermore, the landmark projects with our customers also serve as proof points for other customers and help us to acquire new customers cost-effectively, thus leading to a wider adoption of our AI-based products and solutions in related industries to drive the sustainable growth of our business.

### **Continue to pursue strategic investments and acquisitions that strengthen our market position**

We will continue to expand our AI capabilities across different industries. While we expect this will occur primarily through organic growth and explore opportunities to embark on joint ventures with our key customers, we also plan to acquire assets and businesses that will strengthen our value propositions to our customers. We primarily focus on entities with differentiated proprietary insights in computer vision and deep learning technologies, as well as PaaS, SaaS, software and cloud-based



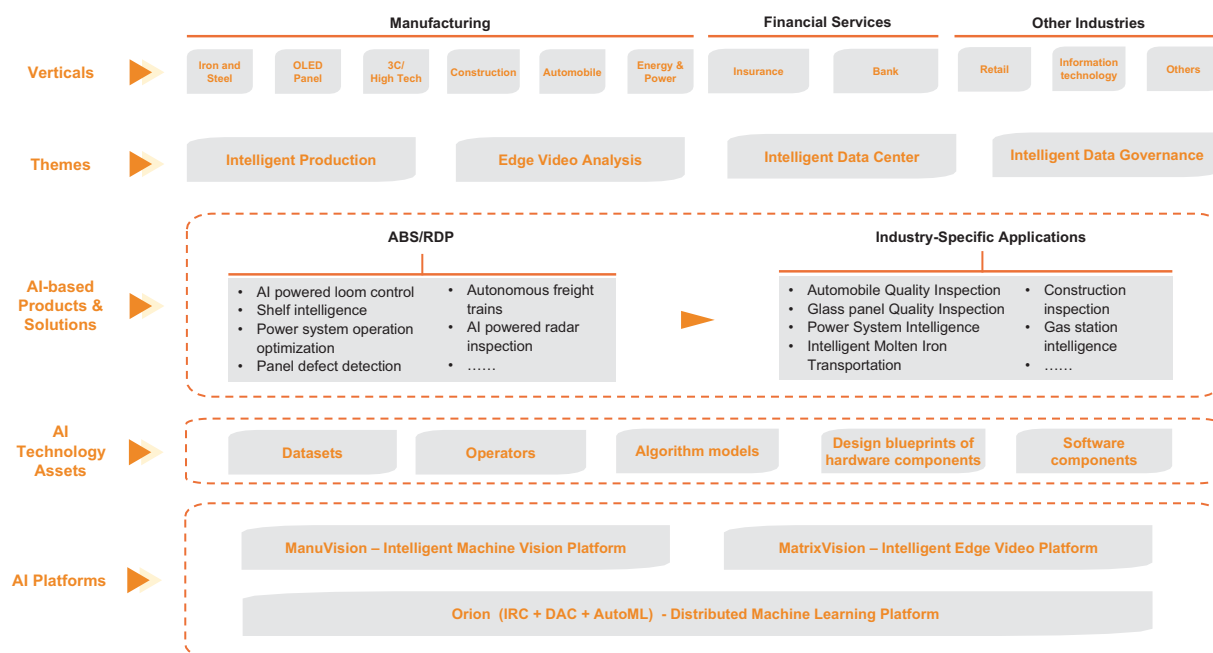
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products that could be complementary to our AI-based offerings. Through strategic alliances, investments and acquisition, we aim to enhance our products and solutions for penetrating into new industry and verticals, and strengthen our market position. As of the Latest Practicable Date, we had not identified any potential acquisition targets.

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Leveraging our AI technology and industry insights, we offer full-stack AI-based products and solutions to our customers in manufacturing, financial services and other industries so as to reduce costs, improve operational efficiency, and enhance business value through intelligent transformation of their business operations and information management.

The following diagram illustrates our AI platforms, AI technology assets, ABS/RDP, industry-specific applications, as well as our four major value themes and targeted industries that our AI-based products and solutions are applied to:



### Core Competencies

We believe the success of our business and our ability to achieve significant revenue growth since our inception has been and will continue to be driven by our core competencies, as we continue to differentiate ourselves from our competitors in the following ways:

- Strategic industry positioning and know-how.** We strategically focus our business in AI solutions for enterprises in China. Enterprises in China have a widely diversified and relatively well-defined business scenarios for AI-based products and solutions. This presents us with vast opportunities for product and solution innovations. Within the enterprise AI solution market, we have strategically focused on the manufacturing industry as we believe there are favorable conditions in such industries for the commercialization of AI solutions in the long run, and we can gain extensive practical enterprise service experience while driving technology development. In particular, we were the largest AI

technology driven solution providers in China in terms of revenue in the manufacturing industry in 2020, according to Frost & Sullivan. We have accumulated significant first mover advantages in terms of the capabilities of services, products and industry insights as compared with other competitors. In the financial service industry, we primarily focus on AI solutions relating to the utilization of IT infrastructure operations, which is one of the essential pain points faced by financial institutions in China.

- ***Strong technology and solution capabilities.*** Leveraging our proprietary AI technology platforms, we are able to design effective AI-based solutions to meet customer's demands. We have accumulated significant amount of standardized technology assets, ABS and RDP, which serve as building blocks of our industry-specific solutions and allow us to quickly assemble and deploy AI-based solutions that are both comprehensive and tailored for specific business scenarios. Our product offering is also supported by our industry insights accumulated from partnering with and serving our light house customers. In contrast, according to Frost & Sullivan, solutions from non-AI focused solution providers in China are generally hardware-centric or traditional software-based, which tend to hinder them from efficiently and effectively dealing with complex and evolving business scenarios. In addition, many non-AI driven products and solutions often have limited flexibilities for re-development, which makes them difficult to meet customized requirements of enterprises in China. We believe our AI-based solutions, driven by AI algorithms, are able to achieve higher precision with greater flexibility in adapting to complex and evolving tasks.

Using our ManuVision platform, we developed the OLED panel glass quality inspection solution with our AI algorithm models, and deployed in our customer's production lines. Detecting defects on panel glass is a complex task, and as technology of making OLED panel glasses changes, the task evolves accordingly. In order for our AI algorithm models achieve an error rate of less than 0.1% and missed detection rate of less than 0.01%, our solution can adapt such models to recognize changing defect patterns. End-users can feed a small number of sample images that contain the new defect patterns, and our solution will refine our AI algorithm models based on our proprietary pre-trained AI models and few-shot learning training algorithm. The refined AI algorithm models ensure that our solution continue to yield such high accuracy in detecting defect patterns.

- ***Effective go-to-market strategies.*** We have adopted a 1+N and 1\*N go-to-market strategy which focuses on a three-step approach, namely engage, grow and repeat. Since our establishment, we have cumulatively served over 400 customers as of the Latest Practicable Date. Our total number of customers increased from 50 in 2018 to 157 in 2020. Furthermore, we have established joint ventures with industry leaders and technology partners, namely CISAI Tech and China Railway Qizhi, with CISDI Group and China Railway No. 4, respectively. Such strategic partnerships not only provided us with access to their industry insights, but also allowed us to leverage their industry resources to quickly penetrate into the relevant industry verticals. During the Track Record Period, our revenue increased from RMB37.2 million in 2018 to RMB229.1 million in 2019 and further increased to RMB462.3 million in 2020. Our revenue increased from RMB297.6 million in the nine months ended September 30, 2020 to RMB533.0 million in the same period in 2021.

For example, we commenced business relationship with one of the largest steel manufacturers in China in September 2019 with a contract for the Intelligent Molten Iron

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Transportation Solution of RMB34.1 million in contract value. Our business relationship continued with two additional contracts in November 2020 and April 2021, demonstrating our 1+N go-to-market strategy. In light of our success with these engagements, we entered into contracts to provide similar solutions with two enterprises in the same industry in China in the nine months ended September 30, 2021, with contract values of RMB63.5 million and RMB29.5 million, respectively.

The key components of our AI offerings include (i) AI platforms, namely ManuVision Intelligent Machine Vision Platform, MatrixVision Intelligent Edge Video Platform, and Orion Distributed Machine Learning Platform; (ii) AI technology assets; and (iii) AI-based products and solutions, consisting of ABS/RDP as well as industry-specific applications combining certain ABS and RDP or their modules to meet customer's requirements.

### **AI Platforms**

Our AI platforms function as our underlying AI infrastructure and provide critical support for our proprietary AI model training and model improvement processes. AI platforms enable us to develop a rich and growing portfolio of models that are customized for the differentiated needs of customers in various industry verticals.

#### ***ManuVision Intelligent Machine Vision Platform***

Our ManuVision Intelligent Machine Vision Platform is an edge-based machine vision inspection software system powered by deep learning technology, designed to locate, measure, detect, and recognize various objects, including common defects and key metrics. The platform comprises three components, namely, Trainer, Designer, and Runtime, and provides a one-stop solution from image labeling, deep learning model training, model testing, inspection pipeline authoring, and online inspection. It significantly improves the quality and reduces the costs for delivering inspection solutions. ManuVision Intelligent Machine Vision Platform is equipped with our proprietary industrial cloud platform, which monitors operation status of inspection stations in the field, raises alert upon occurrence of abnormality, and manages inspection stations such as automatically updating inspection model. As of the Latest Practicable Date, we registered 64 patents and 45 copyrights of software relating to our ManuVision Intelligent Machine Vision Platform.

ManuVision platform is developed based on our deep learning technologies in machine vision, which can be adopted in various industry verticals and manufacturing scenarios, such as measurements, defect detection and positioning and recognition. ManuVision supports our product development process by streamlining the data collection, image labelling and model training processes. Our ManuVision Intelligent Machine Vision Platform supported the development of AI + Manufacturing solutions, such as Intelligent Engineering Radar Inspection, Intelligent Defect Detection, Intelligent Automotive Equipment Manufacturing, and Intelligent Liquid Crystal Semiconductor Production. For example in defect detection, we provided a comprehensive solution combining hardware and software components, that detects any defects, such as cracks, on OLED panels, and achieved an error rate of less than 0.1% and missed detection rate of less than 0.01%.

#### ***MatrixVision Intelligent Edge Video Platform***

Our MatrixVision Intelligent Edge Video Platform systematically combines edge computing and deep learning. Equipped with our proprietary edge computing devices, it performs tasks such as

video stream decoding, image encoding and decoding, model conversion and migration, model deployment and real-time inference. Once deployed, MatrixVision will be able to gather video streams from cameras and generate real-time data about events of interests, without the need to transmit video data over the Internet, saving network consumption and protecting privacy. MatrixVision provides comprehensive and real-time functional interfaces that are adaptable to various commercial applications in terms of model development and hardware compatibility. As of the Latest Practicable Date, we registered 71 patents and 46 copyrights of software relating to our MatrixVision Intelligent Edge Video Platform. Similar to the ManuVision platform, our MatrixVision platform is deeply integrated with the industrial cloud platform to enable fulltime monitoring and control of edge computing devices through edge-cloud collaboration, as well as dynamic upgrading of algorithm models by over-the-air technology.

MatrixVision Platform can be adopted in various industry verticals, and is able to operate on various types of hardware, and analyze video streams in real time, which recognize the objects and understand events in the video stream in order to form structured data. We have developed various solutions leveraging the MatrixVision Platform. Our MatrixVision Intelligent Edge Video Platform was applied in Intelligent Molten Iron Transportation and our development of license plate matching and vehicle tracking technology and attire conformity detection capabilities. Equipped with on-premise cameras, we provide solutions with video stream decoding and AI algorithm model inference in various operational scenarios for our customers, such as identifying instances where there are obstructions or personnel on the transportation tracks, and the system will automatically manage the vehicles to avoid collision. Such capabilities to recognize object and understand events can also be applied to monitoring uniform attire of employees in production sites and tracking license plates at petrol stations.

### ***Orion Distributed Machine Learning Platform***

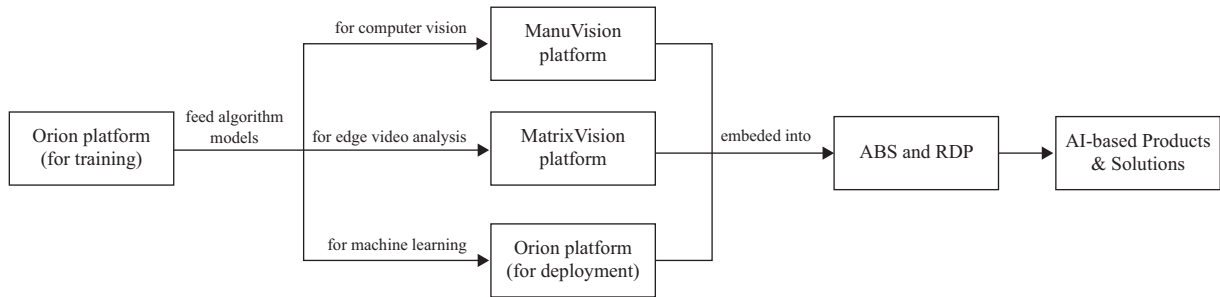
According to Frost & Sullivan, we are one of the few companies in China with self-developed deep learning platforms. Our Orion Distributed Machine Learning Platform is a machine learning platform. Orion encompasses components covering the three key AI elements, namely algorithm, data, and computing power. It supports the entire process of large-scale AI development through intelligent resource center (IRC), data automation center (DAC), and automated machine learning (AutoML). Orion supports PB-level multisource heterogeneous data fusion, cleansing, structuring, visualization, and data lineage. It fully manages distributed model training, one-click model deployment, and full life cycle management of models. See “—Our AI Technology—Orion Distributed Machine Learning” for more information.

Our Orion platform thrives on big data, as it accesses more data, the more accurate the AI models that it trains will become, which creates greater business value to our customers. For instance, the accuracy of an AI model trained with bigger data may increase from 99% to 99.9%, which reduces the margin of error by 10 times. Our Orion platform can process data from two sources, namely (1) the Internet of Things (IoT), and (2) third-party sources. As billions of physical devices around the world are now connected to the Internet, collecting and sharing data, it forms the Internet of Things (IoT). We leverage IoT through 5G or WIFI networks to transfer data from devices connected to our ManuVision and MatrixVision platforms to Orion-DAC. Orion-DAC can intelligently process massive amounts of data up to petabyte level, then transfer such data to Orion-AutoML for training AI models. Customers may have IoT devices on-site, such as cameras and sensors, that are connected to our proprietary AI platforms, such as ManuVision and MatrixVision platforms, as deployed for the relevant customer on-

site. Data collected will be fed to the Orion platform for on-site processing, and such data is not transferred to our servers.

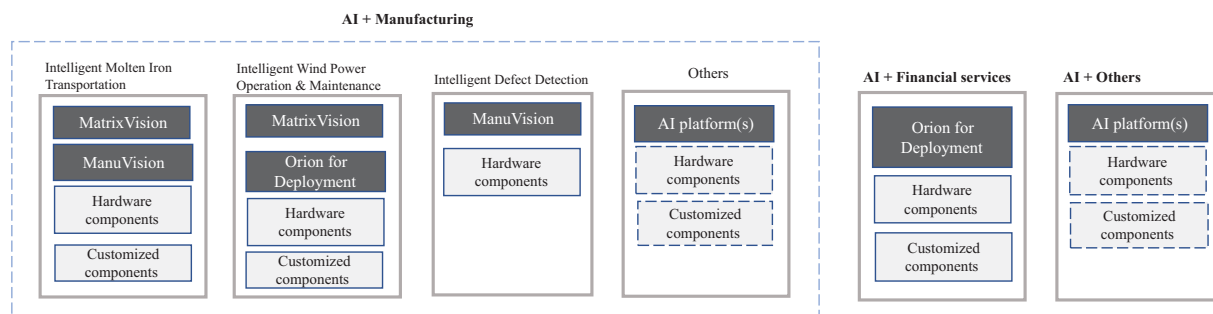
The advantages of Orion are (i) its fully integrated machine learning process support while allowing customers to use each component independently, providing flexibility to augment customers' existing workflows; (ii) its abilities to process massive real-time heterogeneous data from multiple sources, ensuring high data quality before building AI models; (iii) its automated machine learning capability, which builds our strong industry know-hows into the whole model development process; and (iv) its capability in dynamic computing resource management and allocation that increases the utilization of computing resources and as such reduces the total cost of ownership for customers. Together with the no code development capability, self-learning machine learning greatly lowers the bar for industry customers to build high quality intelligent models. As of the Latest Practicable Date, we registered 17 rights of patents and 40 copyrights of software relating to our Orion Distributed Machine Learning Platform.

The diagram below illustrates the relationships between our three proprietary AI platforms:



Our Orion Distributed Machine Learning Platform is used by our in house algorithm engineers to train mainly three types of algorithms model, namely (i) computer vision algorithm models for defects detection, object locating, characters or codes recognition and size measuring; (ii) edge video analysis algorithm models for understanding videos; (iii) machine learning algorithm models on structured data for intelligent prediction, smart decision. These algorithm models can then be transferred to any of our three AI platform for project delivery and run on-site for our customers (i.e. private deployment). For instance, imagery processing algorithm models are fed to our ManuVision platform while video processing algorithm models are fed to our MatrixVision platform.

Our ManuVision Intelligent Machine Vision Platform is a machine vision inspection software system that is embedded into our ABS and RDP, such that it operates on-site for our customers. It is designed to process imageries and can locate, measure, detect, and recognize various objects, including common defects and key metrics. Our MatrixVision Intelligent Edge Video Platform is typically paired with our proprietary edge computing devices, such that it can perform tasks such as video stream decoding and real-time inference for understanding videos. Such algorithm models are then developed into our portfolio of ABS and RDP by embedding our proprietary platforms and are paired with compatible hardware, such as panel defect detection and radar inspection capabilities in our solution offerings. The diagram below illustrates how such components are integrated into some of our AI-based products and solutions:



Our Orion platform can be applied to the development of AI models, data analytics and management of computing resources. It has supported the development of various AI + Financial Services and AI + Others solutions, including Intelligent Data Governance and Application, Intelligent Data Center Infrastructure and Operation. Orion platform also helps our customers manage their computer resources with high efficiency and reliability. For example, we have established a new data center equipped with our Orion platform for a research institute, which performs functions such as monitoring and allocating dynamically computing resources, managing data and training. Through the underlying Remote Direct Memory Access technology and parallel storage system, the data center has improved the operational and management efficiency of our customer.

### **AI Technology Assets**

Our success in developing our proprietary AI technologies is a collective efforts by our algorithm engineers, software engineers, hardware design engineers, data engineers, product managers, user experience engineers, testing engineers, researchers and scientists. The contributions by each of such expertise form the wealth of AI Technology Assets we possess (namely, datasets, operators, algorithm models, design blueprint of hardware components and software components). The integration of various technology assets in forming our products and solutions to the customers are facilitated by the efforts of our architects, product managers, user experience engineers and testing engineers.

Our AI Technology Assets take the forms of datasets, operators, algorithm models, design blueprints of hardware components and software components. These assets are developed during the R&D process of our proprietary technologies and offerings of products and services, and further accumulated from our solution development and project delivery and stored in our internal database such that we can deploy in future projects and solution development processes. As of the Latest Practicable Date, we have accumulated approximately 1,985 AI technology assets and up to 96.2% of such assets have been reused in different products and solutions for our customers. Given the highly



cohesive, low coupling and reusable nature of our technology assets, they become a pool of assets which we can utilize to construct and achieve high efficiency in projects delivery with customized requirements. The key components of our AI workflow include our AI technology assets in the development of our AI-based products and solutions.

- **Datasets.** Datasets may be a set of labeled images, videos or structured data samples. For instance, a set of labeled images of phone glasses with defects identified in digital image processing. Data are collected, pre-processed, labeled, and reviewed by data engineers in advance into datasets to meet the requirements of model training and testing. In the process of product development and customized project delivery, AI models are trained and fine-tuned for specific application scenarios, and datasets are fundamental to such process. The more datasets are used to train AI model, the more accurate AI models will be, which translate into more business value for our customers. In fact, the accuracy of an AI model trained from a greater pool of data may increase from 99% to 99.9%. As we continue to accumulate more datasets for varied industrial applications as part of our project delivery, they become an important asset that guarantees the continued optimization of algorithms and provides strong support for the development of our technologies.

- **Operators.** Operators are used to preprocess data, which may change the structure of data or filter out certain data. They play a critical role in transferring data from one form to another such that labeled datasets may be used in the training process. Different types of operators are applied to the primary data collected, regardless of its format, be it video, image, text, or tabular data, so as to improve the quality of the data or making it more consumable by the AI system. By linking a few operators, a series of processing, conversion and other operations can be performed to the primary data collected, so as to improve the quality of the training dataset or online inference data sample and ensure a high-quality trained model. Prebuilt operators significantly reduce the time of this conversion process by saving users' time from authoring the conversion code themselves.

The operators can be broadly categorized into general-purpose operators and scene-specific operators. The latter contains the methods that address the specific issues in each application scenario based on our project experience in various industries, which greatly accelerate our project delivery for similar type of customers. Our pool of operators will continue to grow as we serve more customers.

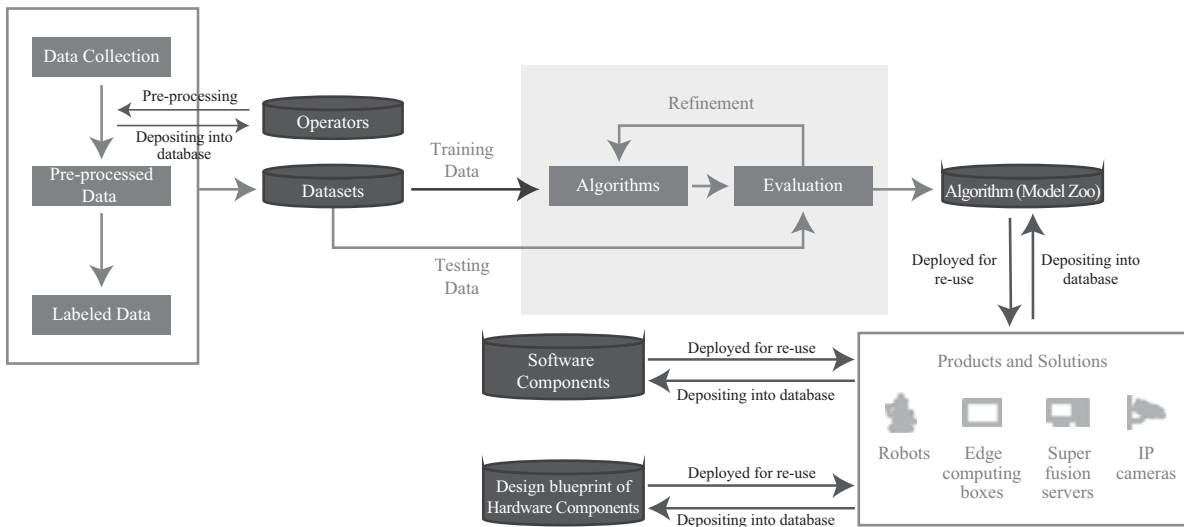
- **Algorithm models.** Algorithm models are software modules that are produced by training processes of datasets. They can be reused easily in different devices, products and solutions. Typically, algorithm model is independent function module, such as to identify defect on a phone glass. Algorithm models are our core technology assets, and those tailored for some specific scenarios often require weeks to develop by very experienced algorithm experts. We have built a talent pool of algorithm experts, who have extensive experience in developing algorithm models for AI-based products and solutions. These models are deposited on our three AI platforms for reusing. Our technology assets have affinity with AI platforms and thus run with optimal efficiency on our proprietary AI platforms. As of the Latest Practicable Date, we have developed 334 types of algorithm models for our ManuVision platform on defect detection and 413 types of algorithm models for our MatrixVision platform on scene inference.
- **Design blueprints of hardware components.** Our design blueprints of hardware components can be reused with different customized solutions for our customers as they

are compatible with our industry specific applications. As they can be customized with diversified configurations, they are highly versatile to fit the specific project needs to construct devices, such as robots, edge computing boxes, super fusion servers and IP cameras. For example, we designed a series of edge-computing boxes with different configurations that can be reused in different projects running at different computing intensity levels algorithms models.

- **Software components.** Software components are function-independent software modules that bridge between industry know-how and the real-world applications for our customers. They can be broadly categorized into three types, namely platform software components, application software components and middleware components. While platform software components provide the toolkit to build various types of software applications efficiently, application software and middleware components directly function as needed by specific solutions. AI technologies are seamlessly infused into each one of the three types of software components.

**Typical AI workflow**

Our R&D team follow a typical AI workflow to develop our AI-based products and solutions. The following diagram illustrates how our AI technology assets are utilized in our development of AI-based products and solutions.



The typical stages of our AI workflow include data collection, data pre-processing, data labeling, building datasets with operators, model training and refinement, evaluation, and deployment to produce products and solutions. We can automate some aspects of the workflow by utilizing our technology assets, as such we achieve high efficiency in projects delivery despite the customized requirements.

We collect data in the form of imagery and video stream in various operational scenarios, which include simulation data by our self-developed data labeling platform, on-site data collection with written consent from our customers, and data collected by customers that are then provided to us. We conduct the pre-processing and labelling processes in-house at the early stages of our product development based on the requirements of our algorithm engineers. In pre-processing stage, we apply different operators (i) to filter out bad quality data samples, and (ii) to augment data samples, through

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cropping, flipping, rotating, or adjusting brightness of images. After data is pre-processed, our data labeling engineers typically label the data on our self-developed data labeling platform, and mark target defects/objects in the data (e.g. an image) using bounding boxes. Upon completion, such data is stored in a centralized data center, and we back-up such data periodically in separate and various secured data back-up systems to minimize the risk of data loss or leakage. We also outsource part of such processes to our suppliers based on pre-set perimeters so as to expedite delivery timeline.

### **AI-based Products and Solutions**

Our full-stack AI-based products and solutions are categorized into four primary value themes, namely Intelligent Production, Edge Video Analysis, Intelligent Data Center and Intelligent Data Governance. Each of our AI-based products and solutions is extensible and customizable to meet customer requirements.

Our AI-based products and solutions primarily consist of our ABS and RDP as well as customized industry-specific applications combining selected ABS and RDP or their respective modules. Our ABS is AI-based solutions built upon different technology assets and can be developed further into RDP. We typically deploy ABS in accordance with the progression of particular projects as agreed with customers. Our RDP is more standardized than ABS, which can be rapidly delivered to customers and deployed in various business scenarios. We have been committed to continuously developing and rolling out new ABS and RDP to address customers' evolving business needs in various production or business scenarios and produce industry-specific applications. For details of our AI-based products and solutions and their applications, see “—Our Solutions”.

During the Track Record Period, we primarily derived revenue from sales of our AI-based products and solutions to customers in manufacturing, financial services and other industries.

## BUSINESS

### *By Industry Verticals*

The table below sets forth our revenue breakdown by our AI-based products and solutions applied in industry verticals in absolute amounts and as percentages of our total revenues for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands except for percentages)									
<b>Manufacturing</b> . . . . .	<b>13,636</b>	<b>36.6</b>	<b>78,429</b>	<b>34.2</b>	<b>193,098</b>	<b>41.8</b>	<b>80,153</b>	<b>26.9</b>	<b>281,095</b>	<b>50.8</b>
Automotive equipment . .	238	0.6	1,956	0.9	2,382	0.5	981	0.3	116,358	21.0
High-tech/3C . . . . .	4,140	11.1	17,491	7.6	36,504	7.9	11,403	3.8	77,846	14.1
OLED panel manufacturing . . . . .	—	—	—	—	36,527	7.9	—	—	13,539	2.4
Engineering and construction . . . . .	—	—	1,887	0.8	4,044	0.9	1,968	0.7	1,877	0.3
Iron and steel metallurgy . . . . .	—	—	5,165	2.3	31,418	6.8	188	0.1	17,354	3.1
Energy and power . . . . .	—	—	—	—	19,240	4.2	19,017	6.4	4,667	0.8
Others <sup>(1)</sup> . . . . .	9,258	24.9	51,930	22.7	62,983	13.6	46,596	15.6	49,454	9.1
<b>Financial Services</b> . . . . .	<b>5,356</b>	<b>14.4</b>	<b>53,539</b>	<b>23.4</b>	<b>183,520</b>	<b>39.7</b>	<b>151,577</b>	<b>50.9</b>	<b>192,803</b>	<b>34.9</b>
Banking . . . . .	—	—	17,365	7.6	40,120	8.7	10,221	3.4	100,077	18.1
Insurance . . . . .	3,632	9.8	28,736	12.5	117,145	25.3	115,226	38.7	17,727	3.2
Others <sup>(2)</sup> . . . . .	1,724	4.6	7,438	3.2	26,255	5.7	26,130	8.8	74,999	13.6
<b>Other industries<sup>(3)</sup></b> . . . . .	<b>18,216</b>	<b>49.0</b>	<b>97,173</b>	<b>42.4</b>	<b>85,706</b>	<b>18.5</b>	<b>65,909</b>	<b>22.2</b>	<b>79,117</b>	<b>14.3</b>
<b>Total</b> . . . . .	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

*Notes:*

- (1) Others mainly include textile manufacturing, food production, communication equipment manufacturing and other verticals in manufacturing industry.
- (2) Others mainly include asset management, securities and other verticals in financial services industry.
- (3) Other industries mainly include retail, information technology and other industries excluding manufacturing and financial services industries.

## BUSINESS

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)									
<b>Manufacturing</b> .....	<b>8,290</b>	<b>60.8</b>	<b>30,506</b>	<b>38.9</b>	<b>65,018</b>	<b>33.7</b>	<b>30,989</b>	<b>38.7</b>	<b>94,813</b>	<b>33.7</b>
Automotive equipment .....	138	58.0	1,261	64.5	1,143	48.0	382	38.9	42,841	36.8
High-tech/3C .....	1,638	39.6	8,323	47.6	12,383	33.9	6,049	53.0	25,855	33.2
OLED panel manufacturing .....	—	—	—	—	10,904	29.9	—	—	1,482	10.9
Engineering and construction .....	—	—	1,652	87.5	797	19.7	483	24.5	710	37.8
Iron and steel metallurgy ...	—	—	2,360	45.7	10,272	32.7	129	68.6	6,278	36.2
Energy and power .....	—	—	—	—	3,983	20.7	3,907	20.5	1,734	37.2
Others .....	6,514	70.4	16,910	32.6	25,536	40.5	20,039	43.0	15,913	32.2
<b>Financial Services</b> .....	<b>4,194</b>	<b>78.3</b>	<b>16,513</b>	<b>30.8</b>	<b>51,192</b>	<b>27.9</b>	<b>41,596</b>	<b>27.4</b>	<b>55,261</b>	<b>28.7</b>
Banking .....	—	—	3,916	22.6	9,581	23.9	1,588	15.5	22,762	22.7
Insurance .....	2,849	78.4	9,136	31.8	39,678	33.9	38,201	33.2	10,116	57.1
Others .....	1,345	78.0	3,461	46.5	1,933	7.4	1,807	6.9	22,383	29.8
<b>Other industries</b> .....	<b>10,901</b>	<b>59.8</b>	<b>24,594</b>	<b>25.3</b>	<b>18,411</b>	<b>21.5</b>	<b>12,687</b>	<b>19.2</b>	<b>20,850</b>	<b>26.4</b>
<b>Total/Overall</b> .....	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

### *By Type of Products/Services*

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands except for percentages)									
Sales of products and solutions	36,545	98.2	224,408	97.9	451,726	97.7	291,403	97.9	541,927	98.0
Services of data solutions	663	1.8	4,733	2.1	10,598	2.3	6,236	2.1	11,088	2.0
<b>Total</b> .....	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

## BUSINESS

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	(unaudited)		Amount	%
(RMB in thousands except for percentages)										
Sales of products and services . . . . .	22,895	62.6	68,772	30.6	126,847	28.1	80,783	27.7	163,091	30.1
Services of data solutions . . .	490	73.9	2,841	60.0	7,774	73.4	4,489	72.0	7,833	70.6
<b>Total/Overall . . . . .</b>	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

### *By Customer Type*

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	(unaudited)		Amount	%
(RMB in thousands except for percentages)										
System integrators . . . . .	5,705	15.3	136,407	59.5	351,428	76.0	214,105	71.9	407,277	73.6
End-users . . . . .	31,503	84.7	92,734	40.5	110,896	24.0	83,534	28.1	145,738	26.4
<b>Total . . . . .</b>	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	(unaudited)		Amount	%
(RMB in thousands except for percentages)										
System integrators . . . . .	4,577	80.2	37,724	27.7	109,619	31.2	68,126	31.8	125,149	30.7
End-users . . . . .	18,808	59.7	33,889	36.5	25,002	22.5	17,416	20.5	45,775	31.4
<b>Total/Overall . . . . .</b>	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

Our revenue was RMB37.2 million, RMB229.1 million, RMB462.3 million and RMB553.0 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, among which our revenue generated from customers (excluding SOEs) amounted for 99.9%, 96.2%, 88.5% and 82.6% of our total revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.



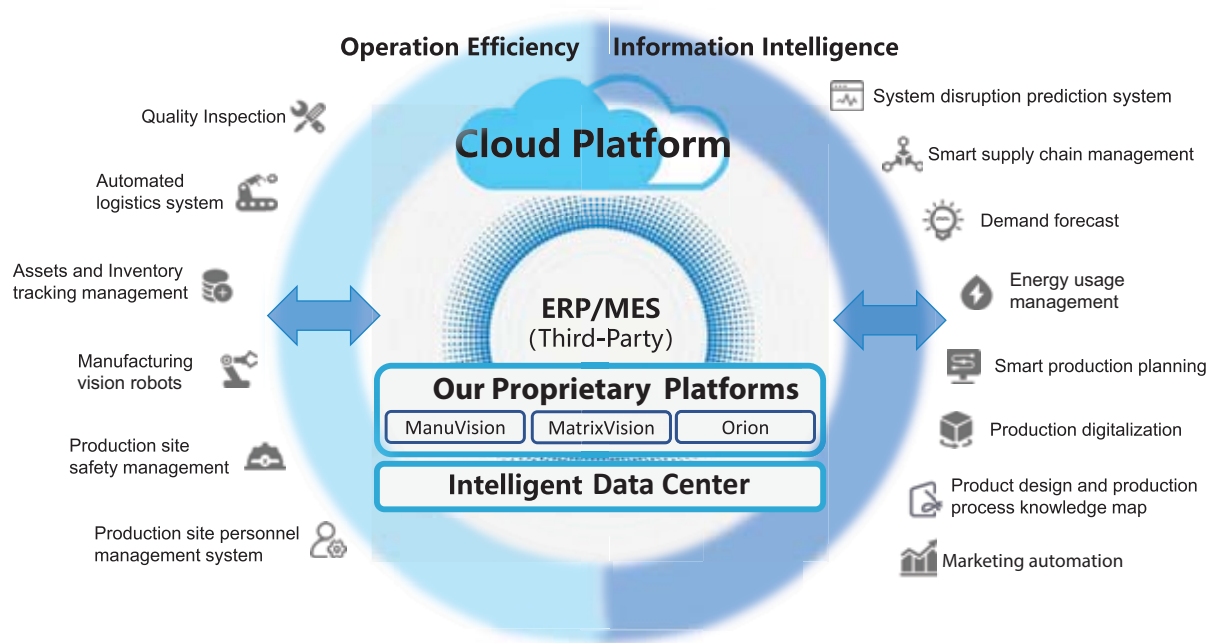
## OUR SOLUTIONS

Leveraging our proprietary AI technologies and AI algorithms, we offer full-stack AI-based products and solutions to customers in manufacturing, financial services and other industries to realize intelligent transformation of their business operations and decision-making process.

### AI + Manufacturing

Combined with our industry know-how, our AI capabilities can be infused in the operations of enterprises in the manufacturing industry through our AInnovation Intelligent Manufacturing System. We primarily provide customers with a wealth of AI-based products and solutions for customers in verticals including iron and steel metallurgy, energy and power, automotive equipment, OLED panel and semiconductor, high-tech/3C, and engineering and construction. Our AI-based products and solutions can optimize business or production process, reduce costs, and improve operational efficiency through intelligent transformation of our customers' business operations and information management.

The following diagram illustrates the AInnovation Intelligent Manufacturing System we developed to cover to the intelligent transformation of our customers in the manufacturing industry:



Our AInnovation Intelligent Manufacturing System offer customers the following modules as categorized into operation efficiency and information intelligence:

#### *Operation Efficiency*

- **Quality inspection** – auto-detection of defects

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## BUSINESS

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- **Automated logistics system** – automated transportation of raw materials and products between production lines and sites
- **Assets and inventory tracking management** – intelligent tracking of equipment and inventory materials, and management of production cycle
- **Manufacturing vision robots** – integrated precise vision and AI technology with industrial robots to achieve highly precise and intelligent production processing
- **Production site safety management** – full-time production site surveillance to discover potential safety hazards in real time
- **Production site personnel management system** – fully automated personnel access and authorization management

### *Information Intelligence*

- **System disruption prediction system** – data acquisition via IoT and big data analytics to predict the potential disruptions. For instance, this module is deployed in our Intelligent Wind Power Operation and Maintenance solution. Employing computer vision algorithms and prediction technology, it is equipped with the ability to analyze the monitoring videos and combines the traditional video monitoring and on-site inspection to automate detection of abnormality and alerts
- **Smart supply chain management system** – optimization of the procurement, logistics, inventory management plan, improve production efficiency and product turnover rate
- **Demand forecast system** – prediction of the demand and geographic distribution of various products, and optimization of production plans and distribution plans
- **Energy usage management system** – collection of energy-related data via IoT to intelligently manage factories and other high-energy-consuming entities through prediction models to increase energy efficiency and reduce energy consumption
- **Smart production planning** – optimization of the production plan, and improvement of equipment utilization rate
- **Production digitalization** – use of cloud-based IoT technology to digitalize the production process, and big data analytics technology to manage production process
- **Product design and production process knowledge map** – use of big data analytics for product design
- **Marketing automation** – application of machine learning and data analytics to multiple data sources from enterprise information systems, such as CRMs, to automatically match products with potential customers and to recommend personalized marketing and sales plan

During the Track Record Period, we applied these modules and built specific applications for our customers:

<u>Industry</u>	<u>Industry Verticals</u>	<u>Selective Applications</u>	<u>Representative End-Users</u>
AI + Manufacturing	<ul style="list-style-type: none"> <li>• Iron and steel metallurgy</li> </ul>	<ul style="list-style-type: none"> <li>• Intelligent Molten Iron Transportation</li> </ul>	<ul style="list-style-type: none"> <li>• Steel manufacturers</li> </ul>

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## BUSINESS

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Industry	Industry Verticals	Selective Applications	Representative End-Users
	<ul style="list-style-type: none"> <li>Engineering and construction</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Engineering Radar Inspection</li> </ul>	<ul style="list-style-type: none"> <li>Construction companies</li> </ul>
	<ul style="list-style-type: none"> <li>Energy and power</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Wind Power Operation and Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Power plant operators</li> </ul>
	<ul style="list-style-type: none"> <li>OLED panel manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Defect Detection</li> </ul>	<ul style="list-style-type: none"> <li>OLED panel manufacturers</li> </ul>
	<ul style="list-style-type: none"> <li>Automotive equipment</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Automotive Equipment Manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Automobile and motorcycle manufacturers</li> </ul>
	<ul style="list-style-type: none"> <li>High-tech/3C</li> </ul>	<ul style="list-style-type: none"> <li>Intelligent Liquid Crystal Semiconductor Production</li> </ul>	<ul style="list-style-type: none"> <li>Electronic products manufacturers</li> </ul>

### *Intelligent Molten Iron Transportation*

In the traditional iron and steel production, many processes, such as route planning and tank allocation, are completed manually, which are labor intensive and lack systematic management and control, imposing significant safety risks. In addition, information barriers, such as delays and inaccuracy in information, are common issues that affect cost and efficiency. These major pain points can be addressed by our AI-based solution for molten iron transportation that automates both the transportation vehicles with dispatch and routing optimization.

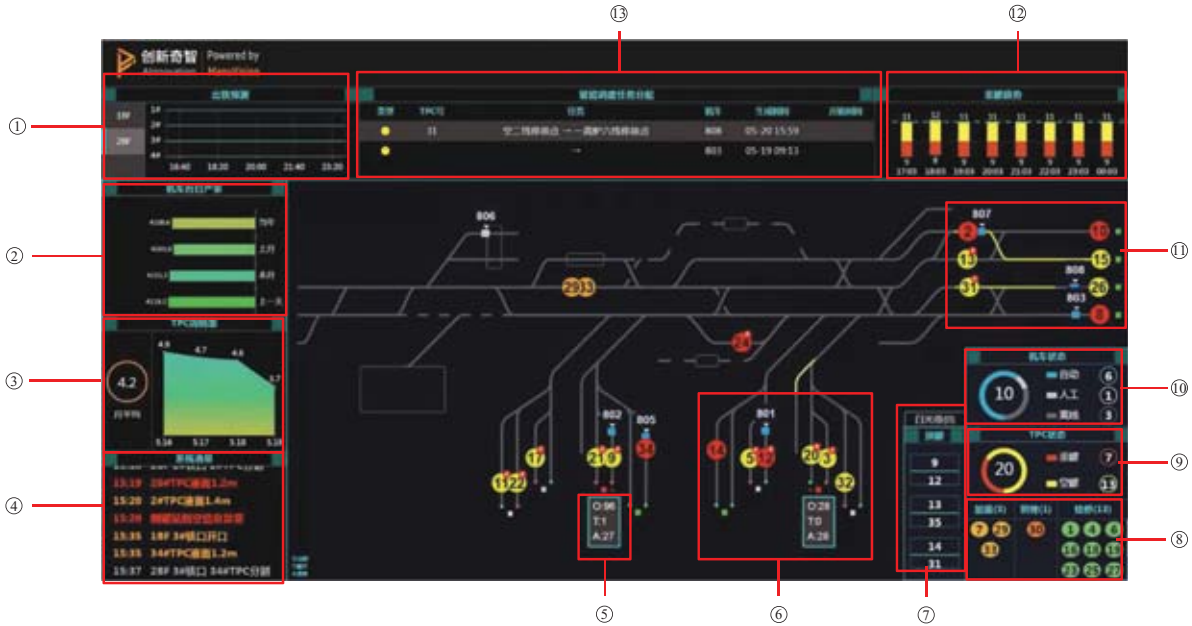
According to Frost & Sullivan, we built the world’s first intelligent molten iron transportation application with one of our customers, which was a groundbreaking change in automation for iron and steel industry. The automated transportation vehicles are enabled by our machine vision, machine learning, autonomous driving, and big data technologies.

Further, we developed the real-time intelligent transportation management application paired with automated dispatch and routing optimization. It is constructed based on algorithm and model scheduling. It helped our customers in the iron and steel industry to streamline their management of factories. The system assigns dispatch tasks to the automated transportation vehicles without manual input, ensures optimal utilization of the vehicles and capacity, and intelligently designs routing for each vehicle to improve delivery efficiency. Equipped with accurate tracking and monitoring functions, the system automatically tracks the real-time locations of the vehicles and intelligently recommends alternative routing options based on real-time traffic information. Our solutions in intelligent molten iron transportation have provided our end-users with a management model that proved to improve various key performance indicators, such as molten iron dispatch and routing efficiency, turnover rate and temperature drop. Such solutions enhance the market competitiveness of our end-users by reducing production cost and enhancing production safety.

In 2020, we upgraded the platform control model through logic algorithm optimization, so that the real-time intelligent transportation management system is equipped with more complex scheduling capabilities. It allows automated routing and dispatch of vehicles up to 92% of the operation, and

automated transportation of vehicles up to 97%. The system also simplifies management process by intelligent tracking, which reduces labor cost.

The following is a screenshot of the user interface of our AI-based solution for intelligent molten iron transportation:



Notes:

- ① Prediction of the tapping frequency of the blast furnace in the next eight hours
- ② Statistics of vehicle usage (yearly, monthly, and daily) by output per day or fuel consumption per ton of steel
- ③ Statistics of production by monthly average data in turnover rate and temperature drop
- ④ Key information for iron and steel production
- ⑤ Operating status of the tap hole
- ⑥ Red and green signals to indicate the status of route
- ⑦ Prompt for the number of abnormal signals
- ⑧ Offline tank status
- ⑨ Operating tank status
- ⑩ Vehicle status
- ⑪ Operational status of the steel-making end
- ⑫ Prediction of tank utilization in the next eight hours
- ⑬ Current scheduling task

### ***Intelligent Engineering Radar Inspection***

With the continued development of infrastructure in China, railway and highway tunnels are built every year. However, defects that are discovered in the construction process pose significant risks and underpin quality control issues of ground penetrating radars that has been widely used in the quality inspection of tunnel engineering. Our engineering radar inspection system has undergone on-site exploration, result verification and algorithm optimization to analyze and detect tunnel geological radar waveform map. Based on the ManuVision Intelligent Machine Vision Platform, it has effectively resolved gaps in the missing data samples and imageries undermined by factors such as temperature, humidity, geological structure. The automated assessment of indicators, such as voids, thickness and number of reinforcements, reduces manual interventions and improves inspection efficiency. In addition, the automated process also alleviates the issues of having a shortage of technical specialists in this field. The solution in engineering radar Inspection demonstrated an improvement in accuracy of analyzing radar wave imagery by 20 times as compared to manual

inspection. This solution has enhanced the market competitiveness of our end-users by reducing the inspection cost and efficiency in tunnel construction and subsequent annual inspection.

The following is a screenshot of the user interface of the solution in engineering radar inspection:



Notes:

- ① Inspection information and project status
- ② Statistics of defects by six major categories
- ③ Statistics of manual labor and system operation by hours
- ④ Information on tunnels under inspected
- ⑤ Data of detection progress, including files, test reports and waveforms
- ⑥ Mileage information (yearly, monthly, weekly or daily)
- ⑦ Project construction status of each province in pictorial format

### Intelligent Wind Power Operation and Maintenance

Since 2020, we have mapped the layout of intelligent operation and maintenance in the field of wind power by recruiting industry experts with rich experience in this area and establishing the energy and power business unit. Such expertise combines with our AI algorithms to form our core competence in the industry. As traditional methods of operation and maintenance in the wind power vertical are purely based on the observation, analysis and decision-making of technicians, there are pain points in the delayed response to various production safety problems, which leads to high costs in resolving such issues.

Based on our AI-based technologies, including the MatrixVision and Orion platforms and know-how in the power energy vertical, we developed an AI-based solution for intelligent wind power operation and maintenance application in 2021. Employing computer vision algorithms and prediction technology, it is equipped with the ability to analyze the monitoring videos and combines the traditional video monitoring and on-site inspection to automate detection of abnormality and alerts. Through round the clock monitoring of engine cabins, the intelligent inspection of the equipment and environment does not require any on-site operations. As such, we believe our AI-based solution not



only can reduce the workload of on-site operation, but also monitor the wind farm in real-time to improve the inspection alarm timely rate. We believe this solution can significantly improve the reliability of wind farm operation, reduce operation maintenance costs, as well as the safety of personnel and equipment, which ultimately improve the market competitiveness of our end-users.

The following is a screenshot of the user interface of our intelligent wind power operation and maintenance:



Notes:

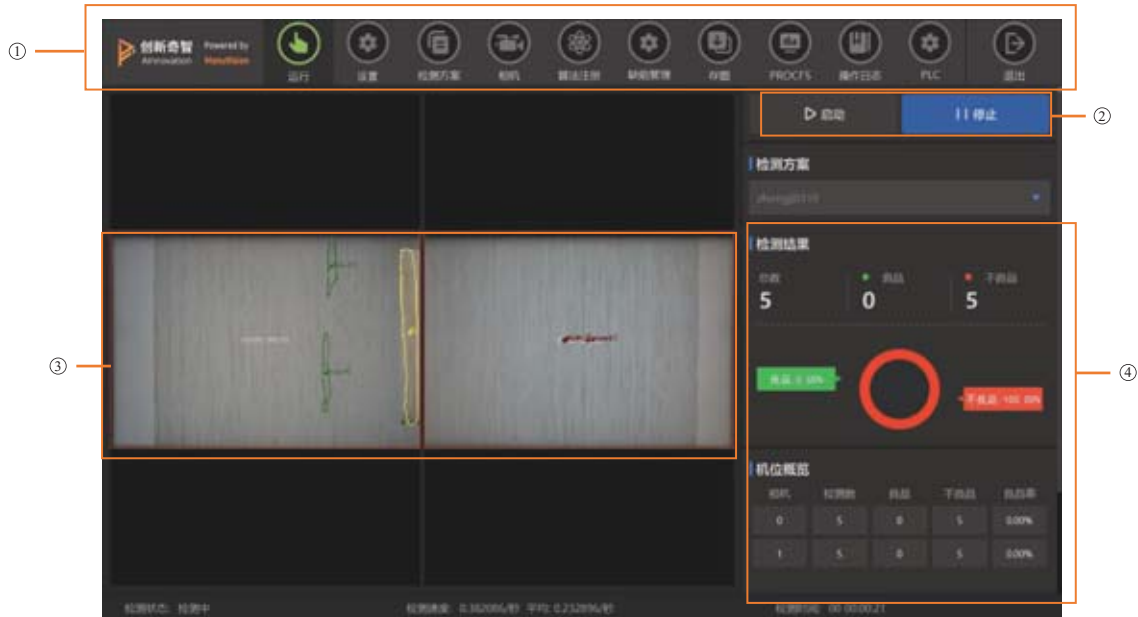
- ① Safety-related statistics
- ② Total number of intelligent alarms
- ③ Production-related statistics
- ④ Real-time monitoring of generator sets
- ⑤ Work order data
- ⑥ Intelligent recognition related statistics

### Intelligent Defect Detection

Quality control issues are common pain points in the manufacturing industry, manual inspection by on-site personnel cannot ensure consistency in the assembly line and thus causing disruptions during production process. Based on our ManuVision Intelligent Machine Vision Platform, our deep learning and computer vision technologies were paired with industrial-grade high resolution camera and lighting equipment to perform automated inspection process, and continue to refine its detection capabilities. This solution ensured an accurate detection and classification of defects in each production up to 99.9% accuracy. We provide analysis reports with details that contribute to achieving the intelligent management of product quality and intelligent decision-making. The automation in the quality control process reduced labor cost, and the high accuracy rate improved product quality, which ultimately enhanced the market competitiveness of our end-users.



The following is a screenshot of the user interface for defect detection:



*Detection of cracks wider than 0.5mm on a film coil*

Notes:

- ① Main menu, including operating status, device settings, camera adjustment, algorithm options, running log and other operation and processing information
- ② Start/Stop button
- ③ Real-time detection screen, the pictures of products and defects taken by industrial cameras are displayed in real time
- ④ Inspection results, showing the number of defective products

### ***Intelligent Automotive Equipment Manufacturing***

In the motorcycle engine manufacturing process, quality control issues, such as ensuring consistency in its power engine assembly line are common pain points. The root cause primarily stems from human errors in the operation. Leveraging our ManuVision Intelligent Machine Vision Platform, we developed two intelligent inspection devices that monitored product assembly in real time to resolve the issues in each situation. One of the devices is aimed to detect whether the timing points are aligned, and the other ensured the retaining rings for piston pins were assembled correctly. The installation of these devices significantly improved quality of the engines produced and production efficiency, which ultimately enhanced the market competitiveness of our end-users.

The following is a screenshot of the user interface of our solution in intelligent automotive equipment manufacturing:



*Defect detected in the production line as timing point not aligned*

Notes:

- ① Detailed display of current engine detection results; while the current engine are put through the testing equipment, the system will produce a detailed detection result schematic diagram.
- ② Display of detection results as OK or NG.
- ③ List of historical detection results; all detection results are recorded. Click on any option, the detailed pictures and result analysis can be viewed.
- ④ Thumbnail of the original picture of the current engine; click on this picture to zoom in to the central display area, the original details can be checked.

### ***Intelligent Liquid Crystal Semiconductor Production***

We offer a full range of solutions for liquid crystal semiconductor manufacturing, covering various manufacturing processes of liquid crystal semiconductors from AI industrial automation equipment, automated production lines, panel production equipment, tooling fixtures such as clamps, 5G intelligent three-dimensional warehousing and logistics, information products to total system integration. We combined full-process automation equipment with deep learning technology to achieve automated completion of the production process from pixel matrix to packaging and testing, and established a complete monitoring system.

We are differentiated from traditional automation solution providers, as our proprietary ManuVision Intelligent Machine Vision Platform can provide customers with greater flexibility in complex scenarios that are difficult to solve with traditional vision. As our solutions automate the manufacturing process of liquid crystal semiconductors, our defect detection capabilities are infused and applied at various stages, so as to ensure product quality. See “—AI + Manufacturing—Intelligent Defect Detection”.

Our solutions in liquid crystal semiconductor production provide two key advantages to our end-users, which ultimately enhanced their market competitiveness. Specifically:

- ***Intelligence.*** We have accumulated a wealth of AI algorithm models in various complex scenarios through our ManuVision platform. Given the stability and reliability in the AI

capabilities, they are particularly useful in the complex production scenarios and stringent requirements in liquid crystal semiconductor production, which improves production quality.

- **Automation.** Our solutions are comprehensive and targeted at the pain points experienced by our end-users, as they address both software and hardware compatibility. This ensures that production equipment and systems function efficiently round the clock, which enhance production capacities and cost savings in employee training and error.

The following is a screenshot showing the analysis results in the liquid crystal semiconductor production:



Notes:

- ① Display of inspection results (OK/NG), defect type and corresponding quantity, and other related details.
- ② Inspection imagery and results of the four corners of the glass with defects (if any) marked.
- ③ Main information display bar to select test/stop operation, and display the current inspection information of glass.
- ④ Display of a schematic diagram of the glass with display of detailed information of such defect, and the location of such defect can be automatically located in the detection picture on the right after clicking on such defect information.
- ⑤ Display of the operating status of the current camera and external communication interface, and an alarm will be triggered in event of abnormality.
- ⑥ Display of the actual image of the glass under inspection, which show the coordinates, and identify the location and type of any defect.
- ⑦ System function menu, which allow users to switch the function screen.
- ⑧ Display of information about current equipment, including the production line and site where this equipment is located, and display of the current use of industrial personal computer, which can be intuitively verified once the resource is insufficient.

### *Case Studies*

The following are case studies of our AI + Manufacturing related solutions offered to our customers during the Track Record Period:

#### Intelligent Engineering Radar Inspection

Company A is a wholly-owned subsidiary of a leading engineering and construction company in China. It undertakes a large number of heavy infrastructure construction projects, employing traditional means of quality inspection. Although geological radar has been widely used in tunnel quality inspection, there remained a series of issues such as misinterpreted data, slow response, low efficiency, insufficient detection capacity, and the inability to trace and analyze data. Leveraging our ManuVision Intelligent Machine Vision Platform, we developed the solution in tunnel geological radar wave inspection. We conducted several rounds of field inspection, result verification and algorithm optimization, resolved the errors caused by temperature, humidity and geological structure. In the end, we developed a solution to intelligently detect radar information and to count the arches, cavities and hollows in tunnels, equipped also with a quality traceability function. The solution was delivered to the customer in March 2020. Based on the feedback from Company A, the application results showed that the AI-based solution in tunnel geological radar wave inspection exceeded the average level of expert opinion by 37% in terms of standard consistency, operational efficiency, and detection accuracy. In light of the success of this project, we established a joint venture to apply our solution offerings to reach more market players in the same industry. We plan to expand application of this solution from tunnel construction to construction of bridges, highways and railways to explore more market opportunities.

#### Intelligent Molten Iron Transportation

CISDI Group has a leading position in the iron and steel metallurgical vertical in China and has established business relationships with 40 of the top 50 steel plants globally by revenue, according to Frost & Sullivan. We cooperated with CISDI Group in 2018 for AI-based solutions in the steel vertical, including one for molten iron transportation management. In March 2019, we established a joint venture, CISAI Tech, combining the expertise of our R&D team and that of CISDI Group's experts in the steel vertical. The traditional molten iron transportation requires intensive manual labor, resulting in substantial human resource costs and safety risks.

According to Frost & Sullivan, our project created the world's first intelligent molten iron transportation system based on artificial intelligence vision algorithm and automatic driving technology. It helps locomotives and torpedo tank cars to automatically detect and avoid obstacles on the track, identify locomotive tails and hooks, and achieve fully automated hook removal. By implementing the AI-based solution in intelligent molten iron transportation, a leading steel manufacturer in China provided feedback that it improved its locomotive efficiency by 13% and increased speed of its locomotives by 10%, while reduced manual labor by 50%, significantly improving its operational efficiency and reducing its human cost.

In 2020, we optimized this solution through data reinforcement learning on our Orion platform, to allow the system to handle more complex dispatching operations. This solution reduced the risks imposed to the health and safety of the on-site personnel, and that safety accidents dropped to zero for the year of 2020. The manpower cost for one of our customers, based on their feedback, was reduced by nearly 70%, saving over RMB 4.0 million a year for one furnace site. In addition, our end-users also

achieved substantial cost-savings by reducing the loss from iron temperature reduction and equipment depreciation.

### Intelligent Defect Detection

Company B is a leading manufacturer of continuous fiber reinforced thermoplastic (CFTR) materials in China. Given that a roll of CFRT material is approximately 3,500 meters long, defect detection proved to be a challenge for manual inspection. The conventional quality assurance process is highly time-consuming and labor intensive, and fails to record types and locations of defects. Leveraging on our ManuVision Intelligent Machine Vision Platform, we provided solutions in defect detection in the quality control process. Our deep learning and computer vision technologies were paired with industrial-grade high resolution camera and lighting equipment which enabled an accurate detection and classification of defects in each production line up to 99.9% accuracy based on the feedback from Company B. We provide analysis reports with details that contribute to achieving the intelligent management of product quality and intelligent decision-making.

### **AI + Financial Services**

Our AI-based products and solutions for financial services are primarily in intelligent data center infrastructure and operation, intelligent hybrid cloud management, and intelligent data governance and application.

Our major AI-based products and solutions applied in the financial services industry are able to offer customers the following functionalities:

- **IRC.** Intelligent resource center (IRC) provides a full range of resource management capabilities that maximize the utilization of computing power and storage resources for fulfilling different types of tasks. IRC is a resource management platform designed for data centers and provide pooling function and management of heterogeneous resources, as well as resource allocation, intelligent optimization and other capabilities. Such capabilities allow financial institutions to achieve data center-level comprehensive resource management at low cost and high efficiency.
- **DAC.** Data automation center (DAC) is a multi-source heterogeneous data management system that allows data automation and realizes intelligent data fusion management. DAC provides data life cycle management services that encompass AI-based data analytics, data association, data derivation (via feature engineering), data fusion and data visualization. It augments digital infrastructure for financial institutions and simplifies business insights retrieval from a large volume of data.
- **AutoML.** Automated machine learning (AutoML) is an intelligent application development platform that can independently define a business problem and build a business application to address it. As a machine learning platform designed for enterprises, AutoML automates all stages of building and deploying models, from data collection and preprocessing, to model training and tuning, to model deployment and model performance monitoring, while allowing customers to customize certain steps to fit their specific business needs. Scenario specific know-how we have accumulated from past project experience have also been built into AutoML to enhance model quality it generates for customers.





The following is a screenshot of the user interface for our solution in intelligent data center infrastructure and operation:



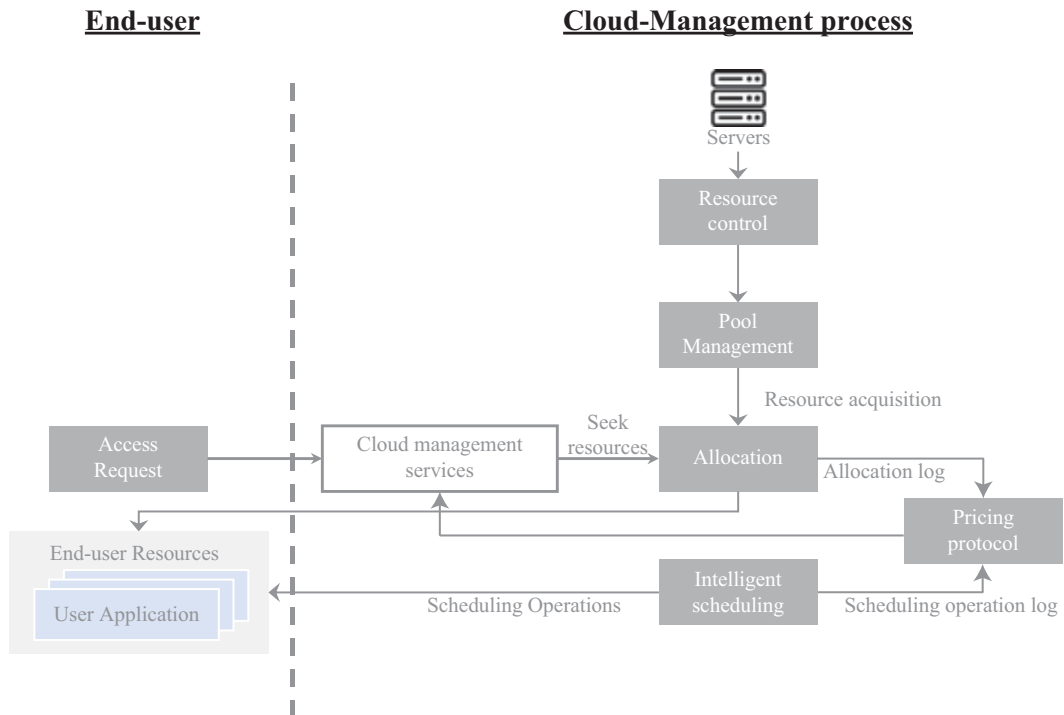
Notes:

- ① Overview of system
- ② Overview of basic IT equipment
- ③ Overview of intelligent computing power
- ④ Analysis of incident occurrence (reminder, warning and severe)
- ⑤ Team efficiency
- ⑥ Overview of server clusters
- ⑦ Analysis of incident status
- ⑧ Overview of efficiency

**Intelligent Hybrid Cloud Management**

Our solution in intelligent hybrid cloud management is a leading IaaS + PaaS dual-mode private cloud platform in China that enables our enterprise customers to reach the “last mile” in its transformation of cloud infrastructure. We utilize intelligent resource pooling technologies provided by Orion-IRC to realize intelligent allocation, scheduling and maintenance of computing power, especially GPUs, and storage resources, with the ability for flexible scaling and automatic recovery. Specifically, the centralized management of multiple types of heterogeneous computing power clusters allows the allocation of specific types of GPU cards, single-card fine-grained multi-tasking, multi-card collaborative computing and supports real-time monitoring of intelligent resources, including on-demand allocation and recollection of unused resources. The improved usage efficiency of compute resources will reduce IT cost for our end-users, which enhances their market competitiveness.

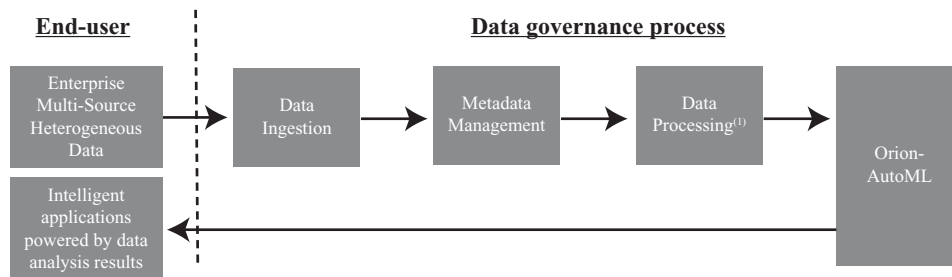
The following is the workflow of our solution in intelligent hybrid cloud management:



***Intelligent Data Governance and Application***

The AI-based solution in intelligent data governance and application comprises our intelligent data management system and our ABC appliance. The intelligent data management system is a comprehensive management platform tailored for the use in financial services. It uses big data and machine learning technologies to ingest multi-source heterogeneous data, intelligently extract and manage metadata and analyze data resources of our enterprise customers, especially those untapped data from the business operations and key decision processes within financial institutions. It establishes a dynamic and solid digital infrastructure for capabilities of risk-related modeling. The intelligent inference from big data allow our end-users to make business decisions, which enhances their market competitiveness.

The following are screenshots of the workflow of our Intelligent Data Governance and Application:



Note:

(1) Data processing protocols include: data visualization, data lineage, feature extraction, data structuring and multimodal analysis.

Our ABC appliance is an integrated intelligent solution for enterprises providing large-scale AI, big data and cloud computing capabilities. The software component of our ABC appliance comprises

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our ABC Software Stack, whereas the hardware components of ABC appliance are custom-designed super fusion servers that are optimized for heterogeneous parallel computing and compatible with multiple domestic chips and operating systems. It comprises the following core components:

- **AI:** Our AI platform is embedded in the machine which enables enterprises to develop AI applications efficiently;
- **Big Data:** A distributed big data architecture supports PB level data storage and processing;
- **Cloud Computing:** Our proprietary hybrid cloud computing framework acts as the base computing unit for heterogeneous computing resources scheduling and management in an enterprise hybrid cloud environment.

### **Case Studies**

The following are case studies of our AI + Financial services related solutions offered to our end-users during the Track Record Period:

#### Intelligent Data Center Infrastructure and Operation

Company C is a major insurance company with coverage across China and 160 countries and regions. We provided comprehensive AI-based data center solutions to address pain points. Our intelligent cloud management platform allowed Company C to migrate up to 95% of its IT infrastructure to become cloud-based, which improved the utilization of smart resources by 20% and brought a cost saving in equipment procurement in the millions. Based on the feedback from Company C, the implementation of our solutions improved the efficiency of technicians, which reduced human error and labor costs of approximately RMB3 million a year. The automated fault detection empowered by our AI technologies reduced the occurrence of severe malfunction incidents by 10% and intervened 30% of potential incidents, which translated into savings in terms of repair costs.

#### Intelligent Data Governance and Application

Company D is a commercial bank listed on the Shenzhen Stock Exchange with approximately 1,700 operating entities onshore and offshore. As of the Latest Practicable Date, Company D has issued over 60 million credit cards. Leveraging on our Orion Distributed Machine Learning Platform, we provided comprehensive automated management solutions, which are applied to facilitate the full cycle of risk assessments for loans and to enhance in-depth datamining value. This effectively reduced the construction time required for building the risk analytics model and improved the labor-intensive consuming process. Testing on the same set of data in a scenario simulation for Company D, model performance provided by our solutions improved by 36.1% based on the Kolmogorov-Smirnov statistical analysis.

### **AI + Others**

We aim to help customers in other industries including the retail and information technology industries. For instance, in relation to the retail industry, our solution offerings enable our customers to reduce costs and increase efficiency through supply chain management.

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As of the Latest Practicable Date, our major industry-specific AI-based solutions for other industries included:

Industry	Industry Verticals	Selective Applications	Representative End-Users
AI + Other industries	<ul style="list-style-type: none"> <li>• Retail</li> <li>• Telecommunications</li>   <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>• Smart Supply Chain Management</li>   <li>• Intelligent Data Center Infrastructure and Operation</li> </ul>	<ul style="list-style-type: none"> <li>• Retailers</li> <li>• Mobile telecommunications corporations</li>   <li>• Data center operators</li> </ul>

### ***Smart Supply Chain Management***

Our solution in smart supply chain management is a system management solution that brings value to our customers by way of cost savings and efficiency enhancement. It covers four key functions, namely demand planning, production capacity planning, intelligent inventory replenishment, and intelligent logistics. It is utilized to improve inventory planning, accelerate supply and demand turnover, reduce inventory cost, and optimize the return-on-investment of the overall supply chain performance. In effect, it enables enterprises to shift from the traditional rigid supply chain to a flexible supply chain. Such cost savings and efficiency enhancement improve the market competitiveness of our end-users.

### ***Intelligent Data Center Infrastructure and Operation***

This solution has been adapted from AI + Financial Services to also apply to the operations of data centers. See “– Our Solutions – AI + Financial Services – Intelligent Data Center Infrastructure and Operation.”

### ***Case Study***

#### **Smart Supply Chain Management**

Company E is one of the largest mobile telecommunications corporation in China, which has large-scale IT asset management needs and statistics analysis. In 2020, we were engaged to improve IT asset management KPIs for its Heilongjiang provincial subsidiary, so as to enhance its IT asset management efficiency. We implemented software programs to assist in IT asset inventory image comparison and statistical analysis. During the Track Record Period, we were also engaged to provide Company E with procurement supply chain system solution in Guangdong province, and AI platform expansion development services in Shandong province so as to establish its smart middle station operations.

## **OUR AI TECHNOLOGY**

### **Deep Learning**

Machine Learning is a fundamental part of AI studying how computers can improve their perception, knowledge, thinking, or actions based on experience or data. It is the cornerstone for our

development in computer vision and machine learning. As a specific approach of machine learning, deep learning is the use of large multi-layer (artificial) neural networks that compute with continuous (real number) representations, which is similar to the hierarchically organized neurons in human brains. We have accomplished much success in each of the three key factors that underpin the development of our deep learning capabilities, namely, computing power, AI algorithm and data.

- ***Computing Power empowered by Orion – IRC.*** Our proprietary computing power platform empowered by intelligent resource center, one of the key functionalities of Orion, mainly includes two sub-platforms, namely GPU computing power platform and CPU computing power platform. Among them, the GPU computing power platform supports the realization of various upper-level AI applications by virtualizing and pooling the underlying heterogeneous intelligent computing resources. It is built to monitor the usage of various computing resources and AI applications at all times and adjust the resource allocation of AI application tasks in real time to achieve automatic scaling. On the other hand, the CPU computing power platform is a central management system of the computing resources (host, database, web application) of the hybrid cloud (public and private cloud) and provides different strategies for resource allocation in terms of availability, concurrency and performance in various application scenarios. With regards to data storage, our distributed storage system performs regular backups of key data and supports remote recovery. Our system architecture comes with a sufficient redundancy design, ensuring 99.9% overall Service Level Agreements (SLA).
- ***Proprietary Deep Learning AI algorithms.*** Algorithms are the core of our capabilities. We have accumulated a large volume of proprietary AI algorithms, including both generic and scene-oriented ones. In the field of computer vision, we have developed expertise in FSL, panoramic segmentation, industrial product defect simulation based on AI models, target tracking, behavior recognition, model quantification, pruning and compression in the field of machine learning, we have accumulated profound expertise in intelligent recommendation, intelligent decision-making, operational research and optimization, and AutoML. We have obtained a number of invention patents for the above-mentioned algorithms and have produced a wide range of applications in commercial practice.
- ***Data Pre-processing and Labeling for Deep Learning.*** Data are an important source for building datasets, which are our technology assets that we continue to accumulate. Data need to be pre-processed by our operators and labeled by our algorithms, which are also our technology assets. We have built a proprietary full-process multi-tool labeling platform with our patented technologies to perform tasks such as automatic pre-labeling, labeling and auditing, which greatly reduces the workload of manual labeling and reviewing, accelerates the delivery process and improves the labeling quality. We continue to accumulate a large amount of actual scene data in key industries in order to support the continued optimization of our technology and solutions.

## **Computer Vision**

Computer vision is a field of AI that enables computers to interpret and understand the visual world. Our intelligent computer vision capability is fundamentally empowered by our deep learning capabilities. Using digital images from cameras and videos and AI models, machines can accurately identify and classify objects. However, two key obstacles of computer vision lie in capturing clear images and videos, and deciphering the images and videos. The first obstacle can be overcome by a

specially designed light source and camera system to capture clear imagery, while the latter relates to detection of the subject(s) in the images or videos and what is happening in the images or videos. Our AI vision-based products and solutions resolve these two obstacles in a systematic way, by building platforms to integrate our technology assets and reusing them in different projects and scenarios. Our computer vision technologies are award-winning and won in the Multiple Object Tracking (MOT) Challenge 2020 and the GOT-10K 2020.

ManuVision Intelligent Machine Vision Platform is a machine optical inspection software system based on our deep learning technology, designed to resolve common issues with machine vision such as positioning, measurement, detection and recognition in industrial setting. The solution is formulated by the three components, namely, Trainer, Designer, and Runtime, and provide a one-stop solution from image annotation, deep learning model training, model testing and customized inspection protocols and online analysis. It effectively improves efficiency, reduces costs and enhances delivery quality.

MatrixVision Intelligent Edge Video Platform deploys an intelligent analysis box with built-in AI algorithm models at the edge to complete structured analysis of the scenario and synchronize the analysis results to a public/on-premise industrial cloud platform for processing. The AI algorithm at the edge mainly relies on image analysis technology, which includes few-shot learning, cross-mirror tracking (Re-ID), behavior recognition, target detection and classification.

### **Orion Distributed Self-Learning Machine Learning**

Our distributed self-learning machine learning technology is a scenario based AutoML technology that we developed to cover the entire process of machine learning applications. It integrates the technology and experience of machine learning experts as part of its processes and parameters and combines the distributed and distributive and parallel engineering technology to help users achieve code-free, automated, high-quality modeling and implementation. It supports the entire process of large-scale AI development through three primary functionalities, namely intelligent resource center (IRC), data automation center (DAC), and automated machine learning (AutoML).

The main technical features of the three primary functionalities include the following:

- ***Automated feature engineering.*** Our automated feature engineering is part of the Orion-DAC and covers the complete process of machine learning feature engineering from feature selection, feature construction to feature extraction. The process also takes into account the allocation of computing power resources and optimizes efficiency in generating feature data analyzing large-scale data sets.
- ***Automated model selection and integration.*** Our automated model selection and integration are both part of Orion-AutoML. In terms of model selection, the end-user may select manually or opt for an automated selection by algorithm recommendations, which is based on an analysis of objectives, feature types, data volume, business requirements, and matched to the various scenarios and models library screening and matching are performed in the process, and the model set suitable for the application scenario is output, providing efficient and accurate model selection capabilities.

In terms of model integration training, different base models are automatically trained by stacking integration learning technology, and the prediction results of each base model are fed into the meta model as new training data. This stacking integration achieves the



integration of multiple machine learning algorithm models and reduces the variance and deviation of the final algorithm results, thereby improving the prediction results.

- ***Automated hyper-parameter tuning.*** Our automated hyper-parameter tuning is also part of the Orion-AutoML. In terms of hyper-parameter tuning, the automatic tuning technology automatically generates the optimal parameter configuration based on the built-in multiple automatic hyper-parameter search algorithms and optimization algorithms, combined with the model developed based on historic data. It effectively fine-tunes the parameters to the ideal optimal, and negates the need for manual tuning and avoids the instability and inefficiency of repeated testing.
- ***Automatic resource scaling.*** Our automatic resource scaling capabilities are part of the Orion-IRC. It enables Orion to monitor the usage of various resources, such as computing power. When tasks are to be performed with minimal manual operations, such as at night, it adjusts the resource allocated to AI application tasks in real time. This capability is also applied to our data storage, as our distributed storage system performs regular backups of key data and supports remote recovery.

## **RESEARCH AND DEVELOPMENT**

As AI technology continues to evolve rapidly, our ability to develop new technologies, design new solutions and enhance existing solutions is critical for maintaining our market position. As a result, we have invested significant resources in our R&D activities. Our core AI technologies are all self-developed. Our R&D staff comprise algorithm engineers, software engineers, hardware design engineers, data engineers, product managers, user experience engineers, testing engineers, researchers and scientists. As of September 30, 2021, our R&D team consisted of 195 members, accounting for 52.8% of our total number of employees. We incurred RMB28.7 million, RMB113.3 million, RMB181.5 million and RMB176.5 million in R&D expenses in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively, representing 77.1%, 49.4%, 39.3% and 31.9% of our total revenue during the same periods.

### ***Early stages of R&D***

Our success in self-developing our proprietary AI technologies lies in three crucial elements that were already in place at the early stage of our development, namely (1) R&D personnel with extensive experience, (2) established R&D process, and (3) contracts with enterprise customers, including a renowned electronics manufacturer and a multinational retailer.

At the early stage of development since our inception, we assembled our core R&D team comprising Mr. Zhang Fa'en, our CTO, and approximately 40 algorithm engineers. Mr. Zhang Fa'en has approximately 15 years of experience in software, big data, machine learning and deep learning technology research, development and management and was the chief architect for Baidu AI Cloud. At that time, the team of 40 algorithm engineers already had at least 1.5 years of experience in commercial applications of AI technologies in computer vision and machine learning. The team executed the technical and product development strategy and R&D plan. Within ten months from the date of inception, we obtained our first copyrights and applied for a series of patents in machine learning and computer vision, respectively. Our achievements in various prestigious international computer vision competitions during the Track Record Period have proven our technical prowess.

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Under the supervision of our chief technology officer and our technology committee and products committee, we developed our technical and products development strategy and R&D plan. Our R&D team continued to expand throughout the Track Record Period, and we have attracted more R&D talents that are with approximately 10 years of R&D experience. With rich research, development and management experience, our R&D team developed an internal best practice and maintained a mature and established process for the development, evaluation and validation of our products and solutions.

Our contract with the renowned electronics manufacturer in early 2018 was one of our milestone project that utilized machine vision in defect detection. We conducted pre-research analysis based on our on-site observations, where the customer's operations are heavily labor-intensive with hundreds of thousands of workers. During the process of developing our solutions for the customer, we accumulated insights on the pain points experienced by market players in the manufacturing industry and developed certain technology assets in computer vision. Similarly, we also worked with other customers in the retail industry, and developed solutions in intelligent recommendation algorithms. In the process, we further developed certain technology assets in machine learning. Such AI Technology Assets became the cornerstone to our development of proprietary AI technologies.

### *Contributions of industry know-how*

A successful research outcome may or may not yield commercial success, and our philosophy is to offer AI technology to empower the business with commercially viable products and solutions. Therefore, we focus not only on technical capabilities but also the viability in commercialization. Given the enterprise experience of our core R&D minds and the project experience from our early contracts in 2018, we recognized the necessity of industry know-how in the process of our product development. As such, we recruited industry experts in manufacturing industry, and their active participation proved to be crucial in putting our resources into right direction. Without contribution of industry know-how, the products may be with high technology but no business value. The industry know-how we possess helps to avoid such outcome, which would save our resources and time. Our industry know-how is derived from the industry experts in our team and the joint ventures we formed with industry leaders in their respective fields and further accumulated from our past project experience.

To accelerate our R&D processes, we use our industry know-how to evaluate (i) the commercial viability of our research, (ii) the competitiveness of our technology and products, and (iii) the costs and returns of R&D activities as measured by research efficiency. Input from our industry know-how has focused our R&D efforts in areas with potential commercialization opportunities, lower competitive barrier and cost savings such that our resources are best optimized. Accordingly, our R&D expenses as percentage of our total revenue decreased steadily over the Track Record Period from 77.1% in 2018 to 49.4% in 2019 and further to 39.3% and 31.9% in 2020 and the nine months ended September 30, 2021.

The efficacy of our R&D process has given us the first mover advantage in offering AI-based products and solutions designed for the manufacturing industry. As a result, we have established our brand in the enterprise AI solutions industry in China despite our short operating history. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in the enterprise AI market in China in terms of revenue; and we were the largest AI technology driven solution provider in China's AI solutions market in the manufacturing industry in terms of revenue.

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### *Major R&D projects*

During the Track Record Period, we conducted nine major R&D projects. The table below sets forth the breakdown of R&D expenses by major R&D project, with details, status and expected completion date of each R&D project.

	2018		2019		2020		Nine months ended September 30, 2021	
	Research expense (RMB in million)	Status	Research expense (RMB in million)	Status	Research expense (RMB in million)	Status	Research expense (RMB in million)	Status
1 <b>R&amp;D of Orion Distributed Machine Learning Platform and relevant application</b>	1.8	Phase I completed	32.9	Phase II completed	80.3	Phase III completed	65.1	Phase IV ongoing
2 <b>R&amp;D of machine vision applications in retail scenarios</b>	20.0	Phase I completed	21.6	Phase II completed	9.5	Phase III completed	3.9	Phase IV ongoing
3 <b>R&amp;D of machine vision manufacturing in quality inspection scenarios</b>	6.8	Phase I completed	50.2	Phase II completed	—	—	—	—
4 <b>R&amp;D of edge-based machine vision inspection environmental awareness application in multiple scenarios</b>	—	—	2.2	Completed	—	—	—	—
5 <b>Development of information platform for engineering development and business management</b>	—	—	6.4	Phase I completed	18.8	Phase II completed	7.4	Phase III ongoing
6 <b>R&amp;D of ManuVision Intelligent Machine Vision Platform and relevant applications</b>	—	—	—	—	48.9	Phase I completed	54.7	Phase II ongoing
7 <b>R&amp;D of MatrixVision Intelligent Edge Video Platform and relevant applications</b>	—	—	—	—	19.0	Phase I completed	31.0	Phase II ongoing
8 <b>R&amp;D of advanced AI technologies in new research areas</b>	—	—	—	—	4.9	Phase I completed	10.8	Phase II ongoing
9 <b>Development of central control system based on AI-based IoT for automated transportation robots</b>	—	—	—	—	—	—	3.6	Ongoing

During the Track Record Period, we entered into agreements with our third-party technical service providers, which primarily relate to (i) technician personnel, (ii) software application development, and (iii) data labeling. Such subcontracting enhances our cost effectiveness and delivery

efficiency. In 2018, 2019, 2020 and the nine months ended September 30, 2021, we entered into agreements with three, 12, 16 and 21 third-party technical service providers, respectively.

- **Technician personnel.** Technician personnel performs non-critical tasks, such as hardware/software testing, data labeling, programming and maintenance.
- **Software application development.** We outsourced basic software programming in tasks, such as user interface, design and bridging software to integrate with end-users' existing IT infrastructure.
- **Data labeling.** See “— Suppliers and Procurement — Procurement of Data Labeling Services” for details.

### ***Key Terms of Technical Services Agreements***

The salient terms of agreements with our technical service providers generally include:

- **Term.** Contract basis.
- **Service scope.** Generally varies based on our R&D project requirements.
- **Pricing.** We typically agree with such suppliers on a fix price, which depends on the extent of work, such as volume of data to be labeled, number of days the technical personnel required to be onsite, hours needed to complete the software programming.
- **Confidentiality.** Except as otherwise provided by laws and regulations or with the prior written consent of the other party, each party shall maintain the confidentiality of information obtained in the performance of the relevant agreement and its contractual terms. In some cases, our R&D staff are required to sign confidentiality agreements.
- **Payment term.** We usually pay by milestones defined in the contract.
- **Termination.** The contract is terminated upon the completion and/or fulfillment of our services, or the agreement by all parties.

Our R&D team is led by our chief technology officer, Mr. Zhang Fa'en. In addition, we have established our technology committee and products committee, which are responsible for formulating our technical and products development strategy and R&D plan and reviewing and evaluating our R&D activities. We also have R&D teams based at our headquarter and regional offices, which are responsible for conducting R&D and reporting to our chief technology officer. Our R&D team focuses on development of deep learning platforms and underlying AI technologies. Our R&D team has an established process for the development, evaluation and validation of our products and solutions. Our R&D teams also cooperate with product implementation team in launching new products and solutions.

The development of our AI platforms and AI-based products and solutions are underpinned by our strong R&D capabilities and our industry know-how. Our industry know-how is derived from the industry experts in our team and the joint ventures we formed with industry leaders in their respective fields and further accumulated from our past project experience. To accelerate our R&D processes, we use our industry know-how to evaluate (i) the commercial viability of our research, (ii) the competitiveness of our technology and products, and (iii) the costs and returns of R&D activities as measured by research efficiency. Input from our industry know-how has focused our R&D efforts in areas with potential commercialization opportunities, less competitive barrier and cost savings such

that our resources are best optimized. For instance, our R&D has produced solutions in intelligent molten iron transportation and defect detection, which are well received by our customers and end users in the manufacturing industry. Our continuous investments in R&D activities result in a wealth of intellectual properties. As of the Latest Practicable Date, we have applied for 634 AI-related patents, and successfully registered 126 AI-related patents, including 79 invention patents. Since the beginning of 2018, we have won the first places in prestigious international computer vision competitions including the PASCAL Visual Object Classes Challenge 2019 for physical objects detection, the Cityscapes 2019 for image segmentation, the Multiple Object Tracking (MOT) Challenge 2020, and the MIT Scene Parsing Benchmark. A number of our academic papers were published by the world's prestigious industry conferences and journals such as CVPR, ICCV and ECCV. In particular, our research papers on Few-shot Learning and Zero-Shot Instance Segmentation demonstrated our R&D effort to reduce the restriction on the amount of sample data on deep learning technology. We believe such research has high practical value in traditional manufacturing industry where samples are generally limited. Going forward, we plan to focus our research mainly on below technologies:

***Self-supervised contrastive learning.*** Self-supervised contrastive learning generates pseudo labels and builds representations by learning to encode what makes two things similar or different. It enables the model to automatically extract hidden information from unlabeled dataset in manufacturing with high efficiency, which is then used in downstream tasks. Self-supervised contrastive learning techniques will therefore substantially improve our data labeling efficiency and accelerate the overall project delivery.

***Few-shot learning (FSL).*** Unlike the typical machine learning process where the model trains as much data as it can take, Few-shot learning techniques enable AI models to recognize new patterns with a limited amount of labeled data. They are particularly useful in industrial scenarios where very few data are available for model training, often in defect detection process in manufacturing.

***Multi-object Tracking.*** Multi-object tracking (MOT) tasks aim to train the model to track multiple moving objects utilizing computer vision technology. We aim to apply MOT techniques to tackle higher-level computer vision tasks in manufacturing scenarios, such as activity recognition and anomaly detection.

***Low-power deep learning in computer vision.*** We aim to deploy our latest Deep neural networks (DNNs) on low-power systems and mobile devices, which are widely applied in manufacturing scenarios, so as to run common visual tasks quickly and accurately on low-power smart devices.

***Multimodal machine learning (MML).*** Multimodal machine learning builds models that can process and relate information from multiple modalities, including linguistic, acoustic and visual messages. MML can overcome challenges in complex manufacturing processes, such as activity recognition and alarming system. Together with our contrastive learning and FSL research, our products and solutions equipped with MML can quickly adapt to new scenarios.

## **DATA PRIVACY AND PROTECTION**

In providing our solutions, we may come into contact with certain data of our customers and their individual consumers. We typically agree in contract that our customers shall provide raw data and information, which include statistics and images, so that we can analyze the scenarios. Our

customers generally retain ownership of such data and information, and we undertake to the proper use of such data and information. While we do not agree to a permitted retention period of any customer data or information in our sales contracts, our internal policy requires that such retention period shall not exceed the term of the sales contract, which ranges from one to three years. Our database administrator will set alarm on any third-party data upon saving into our internal server. When the internally permitted retention period lapses, our database administrator will submit a written application to the Information Security Committee for data destruction, and perform such tasks upon approval. Certain types of data may fall within the scope of personal information under applicable laws and regulations. We have designed strict data protection policies to ensure that the collection, usage, storage, transmission and dissemination of such data comply with applicable laws and prevailing industry practices.

### **Data Collection and Processing**

In order to conduct algorithm model training, we primarily acquire raw data from our own collection and public datasets or simulated data. During the Track Record Period, we collected the following types of data: namely, (a) images and videos of real-world scenes and specific objects, and (b) certain personal information, such as individual consumers' legal names, social media usernames and mobile phone numbers. We have ceased the collection of data that contains personal information since July 2021 and our Directors confirm that the collection of such personal information is not material to the Group's business operations. Sources of our data include (i) data simulated by our self-developed data labeling platform; (ii) on-site collected data by our customers or us with direct authorization; (iii) data from public datasets. Substantially all of our data are images and videos of various manufacturing scenarios and components. These data are used by our R&D team to train our AI algorithm models for our proprietary platforms.

In addition, we possess a very limited amount of data that contained personal information, such as legal names, social media usernames and mobile phone numbers that were collected with direct authorization to us in the smart vending machines offered to customers in the retail industry. During the Track Record Period, we offered smart vending machines with online payment method to certain customers in the retail industry, where a payment service provider is engaged to collect payment for the transactions and such equipment collected the legal names, social media usernames and mobile phone numbers of the end consumers (with express consent and direct authorization from relevant consumers for each retail transaction performed by a smart vending machine) in the process of performing the retail transaction. During the Track Record Period and up to the Latest Practicable Date, these smart vending machines were not equipped with facial recognition technologies. Such data were collected at the time for the purpose of verifying payments from the end-consumers for our customers, such that in event of non-payment, we may have further details to follow up. Save for the abovementioned, we did not offer any products and solutions that involved processing of any data containing personal information during the Track Record Period and up to the Latest Practicable Date. All such sensitive data was transferred and stored in the public cloud (namely, AWS cloud, where we are an enterprise customer of AWS cloud) in an encrypted form. We have ceased the collection of such personal information since July 2021 when our payment service provider became responsible for the verification and follow-up of payments, such that we no longer need to do so, and accordingly, we upgraded the system used for the smart vending machines. We have deleted such personal information from our database as of the Latest Practicable Date.



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In certain projects, we offered solutions to our customers with embedded facial recognition functions during the Track Record Period and up to the Latest Practicable Date. For example, in response to the COVID-19 outbreak, we developed a temperature measuring appliance that allows the non-contact and safe screening of multiple people to detect fever. All of such solutions are deployed on-site for our customers, and all data is processed on-site. As such, we did not possess any data containing facial information up to the Latest Practicable Date. Further, we did not possess any facial information to train our own facial recognition algorithm models during the Track Record Period and up to the Latest Practicable Date. In delivering those solutions to our customers, we used open-source facial recognition algorithm models or employ facial recognition SDK provided by our customers.

We have implemented our Data Protection Guidelines (“**Guidelines**”) to ensure that the source of data does not violate personal privacy and does not infringe third party’s rights. These measures include:

- We consider the degree of data openness and the collected party’s willingness. We are required to make a comprehensive judgment based on the circumstances. In the case that the user authorizes us to collect its data, we shall also specifically assess the content and reasonable expectations of the user’s authorization;
- We examine the type of data. Personal information, intellectual property content (including articles, pictures and videos) or trade secrets will not be acquired absent authorization;
- We strictly regulate the means of data collection. We are not allowed to break through the security policy of a website to obtain the necessary permissions, break the encryption rules, or bypass the mandatory authentication mechanism;
- We are required to limit the amount of data to be collected to a reasonable degree and take the public interest into account. We evaluate whether such data collection will subject us to PR risks and thus harming our reputation; and
- We are required to preserve relevant evidence for data collection, especially user consent authorizing us to collect personal information.

We process data primarily to train algorithms, enhance technologies, and for our products and services in application scenarios as specified in the client’s contract. We do not sell, share or otherwise make available any information to the public or third parties. The Guidelines require that the purpose of data use must be legal and legitimate, and shall not be used in a way that harms social interests, public interests, national interests or the rights and interests of third parties.

### **Personal data protection**

We strictly limit the scope of personal information we receive and ensure that access is commensurate with the legitimate business needs of our customers. For the majority of the solutions we provide to our customers, we do not have access to any personal information of individual consumers. In the cases when solutions we offer involve continuous data processing, we require confirmation from the customer that the access and use of the data provided by the customer comply with relevant rules and regulations. In addition, we evaluate the data use scenario, and require the customer not to disclose or advertise to the public the content of cooperation with us on data processing without our prior consent. For a limited number of our solutions, we collect the individual consumers’ legal names, social media usernames and mobile phone numbers. In such cases, we require

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our customers to comply with applicable data protection laws and regulations. Our customers are restricted to use the data for the purpose of verifying the identity of registered end-users on our customers' platforms only. Such restrictions are stipulated in the agreements we enter into with our customers that obtain personal data via the provision of products and service we provide.

We adopt various measures to ensure the security of the personal information we collect. The information has been technically de-identified and anonymized. Our database is operated on intranet where only qualified personnel can access, and only through the servers which support that particular solution. We have also adopted internal policies to ensure that authorization is tailored to employee seniority and department function, so that such information can only be obtained on an as-needed basis. As of the Latest Practicable Date, we did not experience any information leakage or loss of our user data.

We do not sell, share or otherwise provide any personal information we receive while providing our solutions to any third party, nor do we use such information for our algorithm model training.

### **Data Storage and Destruction**

Data that are for training our AI algorithm models and in the form of images and videos are stored on our private cloud. Data that contained personal information was generated from the retail transactions at the smart vending machines offered to our customers in the retail industry, and was stored in the public cloud (namely, AWS cloud, where we are an enterprise customer of AWS cloud). All such data containing personal information has been duly destructed in July 2021 when we upgraded the relevant product and solutions. Based on the due diligence work and as confirmed by our Company, nothing has come to the attention of the Joint Sponsors which would cast doubt on whether our Company has destructed all personal information in July 2021.

The Guidelines require that the data shall be stored in accordance with the principle of minimum necessity and security protection. For example, personal information shall not be kept for a period longer than the time necessary to achieve the purpose for which the subject of personal information is authorized to use it, and shall be deleted or anonymized after the above period. Principle of security protection requires that data containing personal information shall be stored with encryption and other security measures, namely the MD5 Message-Digest Algorithm, to avoid plaintext transmission. We have also implemented an information system security management framework to protect our data security. See “—Risk Management and Internal Control—Information System Risk Management” for details.

Under the Guidelines, when data retention period expires, the data shall be deleted using a set of technical means such as physical deletion and anonymization, to prevent unauthorized employees or users from recovering data information with residuals. In relation to the destruction of data containing personal information, our database administrator will submit a written application to the Information Security Committee for data destruction, and perform such tasks upon approval. Under the supervision of the Information Security Committee, the relevant data will be destructed permanently with all historical back-up of relevant data deleted. The data administrator will submit an internal report to the Information Security Committee upon completion of such process with confirmation that the destructed data is not recoverable.

**Internal Control Measures in Relation to Data Protection**

Our data privacy and protection measures are an integral part of our internal control system. We have adopted a comprehensive data privacy and protection policy, implemented by our IT operation and maintenance department. Our data protection policies include: (i) no personal privacy data, such as ID number, cell phone number, name, birth date or image information, shall be acquired or purchased, apart from a limited number of services as mentioned above, where express consent of the person is required before collecting the data; and (ii) the collected data (including industry know-how) will not be used for any other purpose, nor will they be provided to any third parties, and the data collected by each of our customers are separately stored and processed.

We strictly enforce our data protection policies. Access to and operation of data will be recorded and subject to review. When processing and analyzing our customers' data, we also strictly adhere to the terms of authorization and scope of use as set forth in our agreements with our customers. Furthermore, if any employee unlawfully collects, misuses or discloses our data, or causes any damage to us or our customers, we have the right of dismissal and may initiate further legal proceedings.

We procure from third-party personnel, namely the after sales servicing personnel from our suppliers of network equipment and computing equipment, a signed security responsibility provision or confidentiality agreement before providing access to any information system resources. In addition, approval of written application is required for third-party personnel to access restricted areas, such as host rooms and important servers and equipment. They must be accompanied or supervised by authorized personnel throughout the process after approval, and visits will be kept on record.

Our Information Security Committee is headed by our Chief Technology Officer and comprises of three other members, namely, Ms. Yu Jin, Ms Yang Yan and Mr. Wang Kai. This committee oversees the information security and data protection, and ensures that our data sources and data usage comply with relevant laws and regulations. We plan to further improve our information security management by (i) engaging external counsels to advise on our data protection policies and ongoing compliance with applicable laws and regulations and regularly update our policies and procedures, (ii) promoting our data compliance system among our employees, (iii) enhancing employee awareness of data compliance via training, and (iv) collaborating across relevant departments to handle internal and external data compliance-related incidents. We plan to enhance our information system by upgrading the network security measures, anti-virus measures, and system change protocols. We intend to implement the upgrading plans by 2022.

The following table sets forth certain information of our Information Security Committee:

<u>Name</u>	<u>Position in the committee</u>	<u>Position in the Group</u>	<u>Principal roles and responsibilities</u>
Mr. Zhang Fa'en (張發恩)	Chairman	Chief Technology Officer	Responsible for management of technology R&D
Ms. Yu Jin (余瑾)	Member	Head of internal control	Responsible for supervising and implementing of internal control matters
Ms. Yang Yan (楊岩)	Member	Head of legal	Responsible for handling legal matters of the Group
Mr. Wang Kai (王凱)	Member	Head of information technology	Responsible for supervising our IT infrastructure, and developing IT Systems

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Based on the abovementioned measure, as confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the Cyber Security Law of the PRC and other applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects.

### SALES AND MARKETING

#### Sales

We primarily sell our solutions through an experienced 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. Our in-house sales teams work closely with our R&D team to propose suitable products and solutions to address the pain points faced by potential customers in the relevant industry verticals.

Our sales efforts are centered on the needs of our customers. We leverage on the collaborations among our sales team, customers and third-party system integrators to identify customers' needs. To enhance and promote our solutions, particularly when we enter into a new market or industry vertical, we often cooperate with system integrators in that industry to demonstrate our technological capabilities and the advantages of our full-stack solutions. We then leverage such expertise for other customers in the same industry, thereby further penetrating the vertical.

As of December 31, 2020, our sales team consisted of over 60 employees who have extensive industry experience and in-depth expertise of our AI-based products and solutions. Our sales employees are first organized into multiple regional teams covering different regions of China. As of the Latest Practicable Date, we had 15 sales subsidiaries located in 11 cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Chengdu, Xi'an, Qingdao, Nanjing, Hefei and Jiaying. We motivate our sales teams by setting specific key performance targets for each team and adopting a commission incentive mechanism tied to sales performance. Our in-house direct sales team and effective marketing strategies contribute to our success in commercializing our technologies.

#### *Key Terms of Sales Agreements*

The salient terms of agreements with our customers generally include:

- *Service scope.* We usually provide both software development services and hardware equipment for one project. For our software development services, we collect original data generated in the customers' process of production or daily business, and develop customized software based on customers' needs. For hardware equipment sales agreement, we are responsible for manufacturing or purchasing, packaging, storage, delivery, insurance, installation, testing and after-sales service. We provide operational training to our customers' personnel, and offer our customers options to separately purchase product upgrade and maintenance services after the initial service period expires.
- *Pricing.* We charge our customers for the price of hardware equipment and software development services. For more details, see "– Sales and Marketing – Pricing".
- *Confidentiality.* Except as otherwise provided by laws and regulations or with the prior written consent of the other party, each party shall maintain the confidentiality of information obtained in the performance of the relevant agreement and its contractual terms. In some cases, our R&D staff are required to sign confidentiality agreements.

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- *Payment term.* Our customers usually pay us upon delivery, or by milestones defined in the contract such as contract signing, delivery of solutions, customer's written acceptance and end of warranty period. The credit term varies from 30 to 180 days.
- *Product warranty.* We typically agree with our customers on certain key performance indicators of our products and solutions, such as accuracy which are verified with our customers upon delivery. Further, we provide maintenance period of one year for selected contracts.
- *Termination.* The contract is terminated upon the delivery of our products and/or fulfillment of our services, or the agreement by all parties.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material sales returns or refunds.

### Pricing

We have developed a standardized pricing reference for our sales team, with different pricing policies for (i) full-stack solutions and (ii) provision of services. Specifically:

- *Full-stack solutions.* We price such solutions primarily with cost-based method. In particular, as we procure certain elements of our full-stack solutions, such as hardware components and certain software products from our suppliers, we will evaluate the relevant procurement costs and adopt the cost-based method. As we also develop some other customization components in house, we will assess the complexity of such customization. For cloud-based products and services, we design different types of usage-based pricing models, such as subscription fee for fixed term, and pay as you go, which charge our customers per transaction.
- *Provision of services.* As the scope of services are typically evaluated based on customers' specific needs, we typically evaluate and provide the statement of work and fee quote accordingly. In particular, as we procure certain software products from our suppliers, we will evaluate the relevant procurement costs and adopt the cost-based method. As we also develop some other customization components in house and provide the provision of services, we will assess the complexity of such customization and scope of service.

If there is any request for customization, adjustment or need for on-site delivery on top of the standard products and solutions, we will evaluate and provide the statement of work and quote based on the work scope. Our sales and marketing team will liaise with customers and provide quotations for their consideration.

We believe it is crucial to provide our AI-based products and solutions at competitive prices for the continued success of our Group. It is one of our pricing strategies to conduct market research and evaluate the existing competitors in the markets, comparable products/solutions and assess the technical advantages of our own products and solutions. For instance, we typically review the base price of ABS and RDP with such market information on a quarterly basis.

We charge our customers for the price of hardware equipment and software development services. Sales of products and solutions primarily represent our sales of software and hardware integrated solutions. The revenue of such integrated products and solutions is recognized when our

customers accept the products and solutions after the completion of required installation or when our customers obtain the control of the products and solutions if no installation is required. In addition, a small part of our revenue comes from providing services of data solutions to customers, which primarily represent sales of our software-based solutions. Revenue from data solutions is recognized when we have provided the relevant services to our customers.

### **Marketing and Branding**

We have established a marketing and public relations department that is responsible for enhancing our brand awareness, promoting our new and existing products and solutions, maintaining our relationships with business partners, managing public relations, and building and maintaining our ecosystem. We promote the brand awareness of our company in specific industries to penetrate into niche markets. Our marketing team collaborate with sales teams to explore business opportunities in niche areas through integrated marketing. We deploy a comprehensive strategy for our marketing efforts, including:

- **Brand awareness building.** We have developed an overall trademark strategy to manage the trademark registration and usage. We routinely maintain and update our official website and social media accounts in order to build brand awareness, engage and retain customers. We also established our corporate visual identity.
- **Public relationship management.** We have established the practice of having press officers communicate with the media on behalf of the Company. Our team has been committed to maintaining friendly relations with the mass media and market analysts.
- **Demand generation.** We conduct market research and studies and engage in various marketing campaigns to effectively reach target customers. We summarize our experience of working with our customers and use it as case materials for marketing campaigns. Furthermore, we held and participated in a series of AI summits to promote our products and solutions and seek business opportunities.
- **Business partnership and ecosystem establishment.** We have committed to building and maintaining our relationships with ecosystem participants, including associations, industry alliance, upstream and downstream businesses and other stakeholders. In addition, we have entered into strategic cooperation with leading software companies in manufacturing industry, including Dassault Systems (Shanghai) Information Technology Co., Ltd.. We have collaborated with world-leading universities to run research projects as part of our efforts to cultivate talents in the AI industry. In addition, we cooperate with local governments and schools to establish various institutions for AI study in manufacturing industry, including vocational training centers, laboratories and business incubators.

### ***Our Market Entry Strategy***

We adopted a three-step market entry approach to engage, grow and repeat when we expand into a new industry. We evaluate the feasibility that our AI-based products and solutions are able to effectively address the pain points of a particular industry and create value for our customers, the potential market size of the addressable market, our competitive strengths and technological capabilities. We believe we have adopted an effective market entry strategy in the past. Our market entry strategy has been to establish engagements with industry leaders across multiple industries, starting from presenting our AI-based products and solutions for a single scenario in their business



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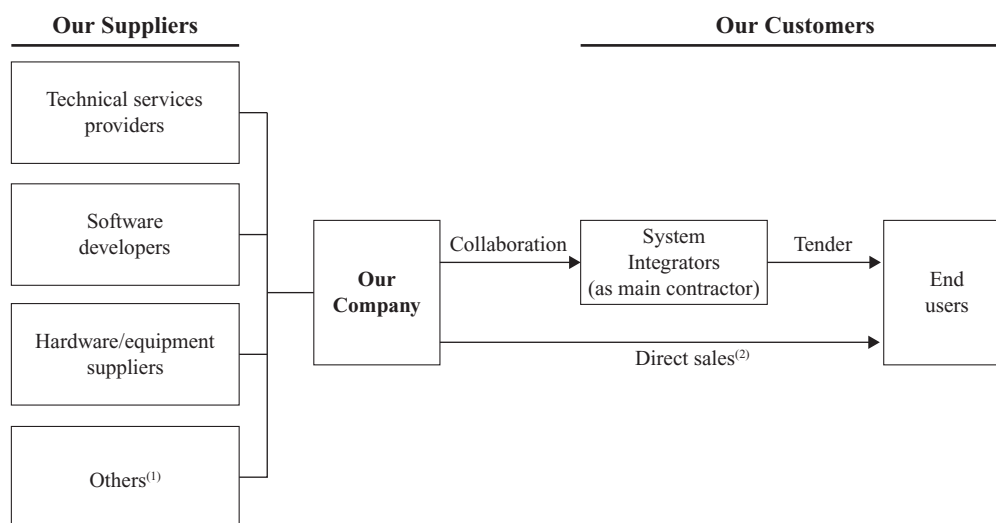
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operations and information management. The success of the first project will set a good example, which encourages the customer to continue AI transformation by addressing different scenarios, creating customer stickiness, and exploring more opportunities with the same customer. We regard this as the “1+N” cooperation. Once we have built our portfolio of AI-based products and solutions with the customer, we will penetrate into the industry by engaging similar companies in the industry. Given the reusability of our ABS and RDP, our solutions are highly replicable in any new customer’s existing infrastructure. We regard this as the “1\*N” expansion, enabling a network effect with our AI-based products and solutions.

Furthermore, to further leverage industry leaders’ expertise and resources, we established joint ventures with them taking advantage of the combined resources of both parties. For example, we partnered with CISDI Group, a leading engineering and construction conglomerate in steel industry, to establish CISAI Tech in March 2019. CISDI Group has been researching and developing industrial intelligence solutions with industry expertise accumulated in the past 60 years. On the other hand, we are specialized in AI technologies and are able to cultivate and attract talents to constantly grow AI algorithms and solutions for particular business scenarios. As of the Latest Practicable Date, CISAI Tech has been engaged to implement the AI-based solution for intelligent molten iron transportation with three leading steel manufacturers and is well known for its molten iron transportation system solution among customers in the PRC steel industry.

We consider the cooperation with industry leaders a prudent means when expanding into new industry vertical. We typically consider a few factors in selecting strategic partners, including (i) strong industry know-how and production experiences; (ii) industry connections, so as to efficiently acquire customers; and (iii) efficient delivery team that is able to adjust and transfer our AI technology into more products and solutions.

The following flowchart illustrates our relationships with our suppliers and our customers, including system integrators and end-users:



Notes:

(1) Other suppliers may include server and database management system provider, and intelligent control system, and private cloud security system provider.

(2) Our direct sales to end users as our customers may also be procured through tender process.

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Our sales team is located in 11 cities in China, which cover various industry verticals that our products and solutions are catered for. Our sales personnel actively explore new potential customers, as well as maintain business relationships with existing ones in implementation of our 1+N and 1\*N expansion strategies. We engage our customers through two ways, namely direct sales with end-users and collaboration with system integrators. During the Track Record Period, we provided products and solutions directly to the end-users as our customers, when we can meet the vendor selection criteria of such customers and conduct direct sales. The vendor selection criteria for the end-users typically include registered capital, time of establishment, and past project experience and technical expertise, which may differ from project to project.

Our overall tender success rate for direct sales was 60.6% in 2020 and the nine months ended September 30, 2021. For illustration purpose, the following table sets out the number of tenders submitted by and awarded to us, and the overall tender success rate in 2020 and the nine months ended September 30, 2021:

	<u>Year ended December 31,</u>	<u>Nine months ended September 30,</u>	<u>Overall</u>
	<u>2020</u>	<u>2021</u>	
Number of tender submitted .....	40	92	132
Number of contracts awarded .....	26	54	80
Tender success rate .....	65.0%	58.7%	60.6%

We collaborate with system integrators primarily when the scope of services are beyond our usual provision of products and services. Many end-users engage the service of system integrators when selecting suppliers or service providers, instead of negotiating with a large number of different suppliers and service providers. According to Frost & Sullivan, it is an industry norm for end users to engage system integrators to implement their projects, particularly when the projects are of high contract value and involve complex system implementation. While system integrators do not specialize in developing their own integrated solutions, they procure hardware and software solutions from companies like us, and implement integrated solutions for end users with uniform standards.

We are usually engaged by, and sometimes proactively approach, the system integrators that meet the vendor selection criteria for potential engagements with end-users. The system integrators will participate in the tender processes with the end-users as the main contractor, and engages subcontractors for the end-users. They are responsible for integrating hardware components, such as machine system and computer hardware, with software and applications, sourced from companies like us. On the other hand, we typically do not participate directly in the tender process with the system integrator, rather, our products and services are included to meet the tender requirements as part of our subcontracting services. As we negotiate with and enter into contract with system integrators for our service fees, such system integrators are recognized as our customers, rather than the relevant end users. As a result, there is no material disparity in contract terms and the scope of our services in direct sales and sales to the system integrators.

We achieved significant revenue growth from our provision of products and services to system integrators who have extensive industry resources and know-how, with strong ability to sell products and industry solutions. As our business footprint expands in mainland China and large enterprises tend to engage the services of system integrators to implement large-scale projects, there was an increase in the number of customers that are system integrators. According to F&S, it is an industry trend that large enterprises are more inclined engage the services of system integrators to implement large-scale projects. During the Track Record Period, we collaborated with 5, 39, 56 and 46 system integrators in

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2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Our revenue generated from sales to system integrators increased significantly from RMB5.7 million to RMB136.4 million in 2019, and further increased to RMB351.4 million in 2020, accounting for 15.3%, 59.5% and 76.0% of our total revenues in the respective periods. Our revenue generated from sales to system integrators further increased by 90.2% from RMB214.1 million in the nine months ended September 30, 2020 to RMB407.3 million for the same period in 2021.

In light of the growing customer base and increasing number of system integrators therein, we are not reliant on any particular system integrators for our revenue growth. We evaluate the specific requirements of the project deliverables and provide our products and services accordingly to the system integrators as designated by the end users. To the knowledge of our Directors, save for CISDI Group and China Railway No. 4, with whom we established joint ventures, CISDI Engineering Co., Ltd. and Sinovation Ventures, none of the system integrators and the respective end-users had any past or present relationships with us.

### CUSTOMERS

We have a broad and diverse customer base, which has expanded rapidly over the Track Record Period. We have built an experienced team that is knowledgeable about both the technology advancements as well as the pain points faced by participants in the relevant industries, allowing us to provide AI-based products and solutions that directly address the needs of our end-users. For information as to customers for each of the solutions, see “—Our Solutions.”

The following table sets forth the number of customers by industries we served during the Track Record Period:

	Period from February 6 to December 31,	Year Ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
Manufacturing .....	16	62	93	66	71
Financial services .....	2	16	18	12	12
Others <sup>(1)</sup> .....	32	79	54	41	48
<b>Elimination:</b> <sup>(2)</sup>					
Cross-industry customer .....	—	7	8	8	1
<b>Total</b> .....	<b>50</b>	<b>150</b>	<b>157</b>	<b>111</b>	<b>130</b>

*Notes:*

(1) Others mainly include retail, information technology, among other industries.

(2) Some of the customers represent end-users from different industry verticals.

Our major customers include both end-users and system integrators in manufacturing, financial services and other industries. We primarily conduct our sales and marketing activities through our in-house sales team. We source our customers through both direct sales and collaboration with system integrators, where system integrators may participate in the tender process with the end-users. However, we directly enter into sales contracts with such system integrators. System integrators are primarily information technology service providers engaged by the end-users to procure IT products or services/integration and management services. Many end-users of our AI-based products and solutions engage the service of system integrators when selecting suppliers or service providers, instead of negotiating with a large number of different suppliers and service providers. Accordingly, we acted as

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the subcontractors of these system integrators. As a result, during the Track Record Period, majority of our top customers include both end-users and system integrators. During the Track Record Period, we had a total of 50, 150, 157 and 130 customers in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. The number of our customers in the manufacturing industry increased significantly from 16 in 2018 to 93 in 2020, and further from 66 in the nine months ended September 30, 2020 to 71 in the nine months ended September 30, 2021. The number of our customers in the financial services industry increased from two in 2018 to 18 in 2020, and remained at 12 in the nine months ended September 30, 2020 and 2021.

The following table sets forth the number of premium customers, total revenue of our premium customers, percentage of revenue contribution by premium customers, premium customer dollar based repeating rate, total number of our customers and total revenue of our customers during the Track Record Period:

	Period from February 6 to December 31,	Year Ended December 31,		Nine Months Ended September 30,
	2018	2019	2020	2021
Number of premium customers .....	—	13	23	N/A <sup>(1)</sup>
Premium customer revenue ( <i>RMB in thousands</i> ) .....	—	114,163	381,255	N/A <sup>(1)</sup>
Percentage of revenue contribution by premium customers ...	—	49.8%	82.5%	N/A <sup>(1)</sup>
Premium customer dollar based repeating rate .....	N/A	N/A	112.7%	N/A <sup>(1)</sup>
Total number of customers .....	50	150	157	130
Total revenue ( <i>RMB in thousands</i> ) .....	37,208	229,141	462,324	553,015

*Note:*

(1) As premium customers are defined as customers with revenue contribution of RMB4.5 million or more in a financial year, the metrics around premium customers for the nine months ended September 30, 2021 are not available.

### Top Customers

Revenue generated from our largest customer for 2018, 2019, 2020 and the nine months ended September 30, 2021 accounted for approximately 9.8%, 7.2%, 11.6% and 14.0%, respectively, of our total revenues during those periods. Revenue generated from our five largest customers in each of 2018, 2019, 2020 and the nine months ended September 30, 2021 accounted for approximately 38.8%, 29.3%, 42.1% and 44.3%, respectively, of our total revenue during those periods. The five large customers of our Group are different in each year of the Track Record Period. We assess the credit worthiness of our five largest customers from time to time based on payment records and public news search. To our best knowledge, it is of the view that our five largest customers during the Track Record Period have credit worthiness.

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The following table sets forth the details of our five largest customers for 2018:

Customer	Major products and services sold	Revenue (thousands)	% of our total revenue	Registered capital (RMB in million)	Background and principal business activities	No. of full time registered employees	Industry vertical of end user	Commencement year of business relationship
Customer A . . . . .	OCR and Intelligent Data Governance	3,632	9.8	4.0	System integrator providing technology promotion and application services for insurance businesses	Less than 50	Financial services (insurance)	2018
Customer B . . . . .	Data Pre-processing	3,302	8.9	20.0	Technology promotion and application services for I50 - 99T businesses	50 - 99	Manufacturing (retail)	2018
Customer C . . . . .	Intelligent Data Governance	2,762	7.4	5.0	Software and IT services for Less than 50 manufacturing businesses	Less than 50	Manufacturing (high-tech/3C)	2018
Customer D . . . . .	Intelligent Inventory management system	2,427	6.5	10.0	Commercial services for retailing businesses	*	Manufacturing (retail)	2018
Customer E . . . . .	Intelligent Data Governance	2,292	6.2	10.0	Technology promotion and application services for mechanical businesses	Less than 50	Manufacturing (others)	2018
<b>Total . . . . .</b>		<b>14,415</b>						
		<b>38.8</b>						

Note:

\* The information is unavailable based on publicly available information.

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The following table sets forth the details of our five largest customers for 2019:

Customer	Major products and services sold	Revenue (thousands)	% of our total revenue	Registered capital (RMB in million)	Background and principal business activities	No. of full time registered employees	Industry vertical of end user	Commencement year of business relationship
Customer F	ABC server and intelligent cloud management platform	16,430	7.2	37.5	Technology promotion and application services for transportation equipment businesses	Less than 50	Manufacturing (others)	2019
Customer A	Intelligent Data Governance	14,235	6.2	5.0	System integrator providing technology promotion and application services for insurance businesses	Less than 50	Financial services (insurance)	2018
Customer G	Intelligent Community	13,909	6.1	2.0	System integrator providing software and IT services for industrial parks	Less than 50	Others	2019
Customer H	ABC server and intelligent cloud management platform	11,208	4.9	23.3	System integrator providing computer application and technology services for banks	Less than 300	Manufacturing (others)	2019
Customer I	ABC server	11,171	4.9	20.0	Computer hardware and software design and sales services for IT businesses	Less than 50	Others	2019
<b>Total</b>		<b>66,953</b>	<b>29.3</b>					



## BUSINESS

The following table sets forth the details of our five largest customers for 2020:

Customer	Major products sold	Revenue (thousands)	% of our total revenue	Registered capital (RMB in million)	Background and principal business activities	No. of full time registered employees	Industry vertical of end user	Commencement year of business relationship
Customer J	ABC server and intelligent cloud management platform	53,645	11.6	337.58	System integrator providing software development and technical services for insurance businesses	500-599	Financial services (insurance)	2019
Customer K	Intelligent Liquid Crystal Semiconductor Production	45,522	9.8	50.0	System integrator providing hardware components development and sales services for manufacturing businesses	Less than 50	Manufacturing (OLED panel and semiconductor)	2020
Customer H	Intelligent Data Governance	41,132	8.9	2,493.2	System integrator providing computer application and technology services for electric appliance businesses	100-199	Manufacturing (others)	2019
CISDI Group <sup>(1)</sup>	Intelligent Molten Iron Transportation System	32,106	6.9	50.0	System integrator providing intelligent molten iron transportation system for manufacturing businesses	400-499	Manufacturing (iron and steel metallurgy)	2019
Customer M	ABC appliance	22,873	4.9	109.7	System integrator providing computer, telecommunication and electronic equipment manufacturing for banks	100-199	Financial services (banking)	2020
<b>Total</b>		<b>195,278</b>						
		<b>42.1</b>						

Note:

(1) CISDI Group is a substantial shareholder of our major subsidiary CISAI Tech.

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The following table sets forth the details of our five largest customers for the nine months ended September 30, 2021:

Customer	Major products sold	Revenue (thousands)	% of our total revenue	Registered capital (RMB in million)	Background and principal business activities	No. of full time registered employees	Industry vertical of end user	Commencement year of business relationship
Customer N . . . . .	ABC server and Intelligent Inventory management system	77,337	14.0	117.0	System integrator providing computer, telecommunication and electronic equipment manufacturing for banks	Less than 50	Manufacturing (engineering and construction)	2021
Customer M . . . . .	ABC appliance	58,088	10.5	109.7	System integrator providing computer, telecommunication and electronic equipment manufacturing for banks	100-199	Financial services (banking)	2020
Customer O . . . . .	Intelligent quality assurance system, database analytics	45,028	8.1	200.0	System integrator providing defect detection service, intelligent management system and IT system integration	50-99	Manufacturing (automotive equipment)	2021
Customer P . . . . .	ABC appliance and intelligent cloud management platform	39,447	7.1	100.0	System integrator providing computer hardware and software design, development and consultancy services	200-299	Financial services (insurance)	2019
Customer Q . . . . .	Storage system and related services	25,310	4.6	500.0	System integrator providing computer application and technology services	3,500-4,000	Financial services (insurance)	2019
<b>Total . . . . .</b>		<b>245,210</b>	<b>44.3</b>					

*Note:*

\* The information is unavailable based on publicly available information.

As of the Latest Practicable Date, none of our Directors, their respective associates or any of our shareholders (which, to the knowledge of Directors owns more than 5% of our issued share capital) had any interest in any of our five largest customers.

**SUPPLIERS AND PROCUREMENT**

Our suppliers primarily consist of (i) suppliers of hardware components, (ii) suppliers of software, (iii) contract manufacturers and (iv) data labeling services.

**Suppliers of Hardware Components**

We arrange the delivery and assembly of hardware products to our customers that are compatible with our products and solutions. The key components include servers, industry cameras and sensors. We engage leading suppliers in the market so as to ensure the high quality of our hardware products. We typically aim to procure at least two suppliers for each type of component, in order to strategically ensure supply stability and optimal cost control. However, for components that are easily substituted, we may source them from single suppliers.

We typically enter into framework agreements with suppliers for our key components. Each framework agreement sets forth the general terms of conditions, pursuant to which we place separate purchase orders and negotiate prices and volumes for each purchase order. We typically pay a fixed fee as set forth in the purchase order and settle the payments within 90 business days upon receipt of each invoice.

**Suppliers of Software**

We outsource the development of certain software products to optimize our use of resources, so we can focus on our core products and services. We typically purchase management 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 subscription agreements with suppliers with a term of one year that may be extended upon agreement by both parties. We usually pay the fixed subscription fee as set forth in the contract in the form of prepayment, and are generally entitled to provide the access to software to our customers as end-users. The suppliers are responsible for the delivery of software and providing after-sale services through the software company. Where the solutions provided to our customers include the use of software sourced from such suppliers, we typically provide access to the software to the end-users for a fixed term that is within validity period of our own software subscriptions granted by our suppliers of software. Upon expiry of such fixed term, end-users may extend the subscription through us, or procure directly from such suppliers.

**Contract Manufacturers**

We engage contract manufacturers to produce our devices such as smart vending machines, 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.

We usually enter into framework agreements with our contract manufacturers, which set out the general terms and conditions of cooperation. We then issue separate purchase orders. Our purchases from contract manufacturers are made on a payment-on-delivery basis, together with a fixed advance payment, and we are typically granted a credit term of 30 days after receipt of each invoice. Our

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contract manufacturers must meet our specified quality requirements and are responsible for liabilities resulting from product defects. Framework agreements typically have a term of one year and will automatically renew, subject to written notice of termination.

### **Procurement of Data Labeling Services**

We have established business relationships with third-party service providers to label the massive amount of data we use to train our algorithms and enhance our technologies. Such data are usually acquired or collected from our customers with consent in the form of photos and videos in specific application scenarios so as to train AI models. The data to be labeled by third-party service providers do not contain personal information. Sources of our data include (i) data simulated by our self-developed data labeling platform; (ii) on-site collected data by our customers or us with direct authorization; (iii) data from public datasets. We generally own the intellectual property of these data.

We typically enter into separate agreements with each data service provider for data labeling services and pay service fees, which are calculated based on volume of the data labeled. The standard credit period given by such data service providers is 10 to 15 business days upon receipt of each invoice. Prior to entering business relationships with such data service providers, we typically review their relevant business licenses and other credentials to ensure that they are legitimate professional service providers. During the Track Record Period, we engaged a total of eight data service providers.

### **Top Suppliers**

Our major suppliers are suppliers of hardware components, technical services providers and contract manufacturers. For each of 2018, 2019, 2020 and the nine months ended September 30, 2021, our five largest suppliers contributed a total of 75.8%, 30.6%, 32.9% and 43.9% of our total purchases for the same periods, respectively. Our largest supplier accounted for 21.0%, 8.3%, 13.0% and 18.5% of our total purchases for each of the same periods, respectively. The five largest suppliers of our Group are different in each year of the Track Record Period.

The percentage of purchases contributed by our top five suppliers fluctuated during the Track Record Period, primarily because we strategically procured a wide range of types of hardware components from different suppliers, and such components are procured to address the diversified needs of our customers. As our AI-based solutions are highly adaptable to devices and existing infrastructure of our customers, we did not rely on any single supplier during the Track Record Period.

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The following table sets forth the details of our five largest suppliers for 2018:

<u>Supplier</u>	<u>Major products/services procured</u>	<u>Purchase amount (thousands)</u>	<u>% of our total purchases</u>	<u>Background</u>	<u>Principal business activities</u>	<u>Year of commencement of business relationship</u>
Supplier A . . . . .	Technical services	2,291	21.0	A private company in the PRC	Computer Software developer	2018
Supplier B . . . . .	Equipment	2,042	18.7	A private company in the PRC	Software and information technology services provider	2018
Supplier C . . . . .	Technical services	1,934	17.7	A private company in the PRC	Software and information technology services provider	2018
Supplier D . . . . .	Technical services	1,226	11.2	A private company in the PRC	Software and information technology services provider	2018
Supplier E . . . . .	Software development	792	7.2	A private company in the PRC	Electronic equipment manufacturer	2018
<b>Total . . . . .</b>		<b><u>8,285</u></b>	<b>75.8</b>			

The following table sets forth the details of our five largest suppliers for 2019:

<u>Supplier</u>	<u>Major products/services procured</u>	<u>Purchase amount (thousands)</u>	<u>% of our total purchases</u>	<u>Background</u>	<u>Principal business activities</u>	<u>Year of commencement of business relationship</u>
Supplier F . . . . .	Hardware components	13,867	8.3	A private company in the PRC	Data center operator	2019
Supplier G . . . . .	Software development	11,815	7.1	A private company in the PRC	Informational technical services provider	2019
Supplier H . . . . .	Hardware components	8,861	5.3	A private company in the PRC	Financial services data analysis service provider	2019
Supplier I . . . . .	Equipment	8,581	5.1	A private company in the PRC	Industry IT solution provider	2019
Supplier J . . . . .	Hardware components	8,062	4.8	A private company in the PRC	Software service provider	2019
<b>Total . . . . .</b>		<b><u>51,186</u></b>	<b>30.6</b>			

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The following table sets forth the details of our five largest suppliers for 2020:

Supplier	Major products/services procured	Purchase amount (thousands)	% of our total purchases	Background	Principal business activities	Year of commencement of business relationship
Supplier K . . . . .	Hardware components	43,135	13.0	A public company in the PRC listed on Shenzhen Stock Exchange	Cloud service provider	2020
Supplier L . . . . .	Equipment	21,871	6.6	A private company in the PRC	Data integration service provider	2020
Supplier M . . . . .	Contract manufacturer	21,361	6.4	A private company in the PRC	Smart hardware equipment manufacturer	2019
Supplier N . . . . .	Software services	11,504	3.5	A private company in the PRC	Software provider	2020
Supplier O . . . . .	Hardware components	11,268	3.4	A private company in the PRC	IT solution provider	2020
<b>Total . . . . .</b>		<b><u>109,139</u></b>	<b>32.9</b>			

The following table sets forth the details of our five largest suppliers for the nine months ended September 30, 2021:

Supplier	Major products/services procured	Purchase amount (thousands)	% of our total purchases	Background	Principal business activities	Year of commencement of business relationship
Supplier K . . . . .	Hardware components	68,092	18.5	A public company in the PRC listed on Shenzhen Stock Exchange	Cloud service provider	2020
Supplier P . . . . .	Server and database management system	28,206	7.7	A private company in the PRC	Software and IT services provider	2020
Supplier Q . . . . .	Storage system	23,065	6.3	A private company in the PRC	Software and IT services provider	2019
Supplier R . . . . .	Server	20,832	5.7	A private company in the PRC	Computer information system integration, computer hardware and software, technology development	2020
Supplier S . . . . .	Server and intelligent control center	20,801	5.7	A private company in the PRC	Software and IT services provider	2021
<b>Total . . . . .</b>		<b><u>160,996</u></b>	<b>43.9</b>			

As of the Latest Practicable Date, none of our Directors, their respective associates or any of our shareholders (which, to the knowledge of Directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers.



**LOGISTICS AND INVENTORY MANAGEMENT****Logistics**

We do not engage third-party logistics service providers for delivery services. Hardware components for our AI-based products and solutions are typically directly delivered by the hardware components vendors to the venue specified by our customers. As our AI-based products and solutions are customized to meet the customers' requirements and delivered on a project-specific basis, we conduct the assembly process for our software and hardware components on-site. We are sometimes required to engage third-party logistics service providers to distribute certain components from our Company to our customers. To the best of our knowledge and belief, all of these logistics service providers are Independent Third Parties.

**Inventory Management**

Our inventories mainly include RDPs, ABS required hardware and work in progress. Our inventories amounted to RMB3.0 million, RMB32.3 million, RMB55.3 million and RMB43.4 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. We adopt a strict inventory control policy in place to monitor our stock levels and minimize obsolete inventory, while keeping the inventory of RDP components at a level necessary to fulfill customers' orders from time to time. We do not engage any third-party warehouse service providers as we source our hardware components specifically for each project and assembly of such hardware components is conducted on site.

**QUALITY CONTROL**

We are committed to maintaining the highest level of quality in our AI-based products and solutions. We have designed and implemented a quality management system that provides the framework for continuous improvement of products and processes, and we closely monitor the implementation of our quality management procedures and measures.

**Software, hardware and services procurement**

We procure software, hardware components and data labeling services used in our product and solution development process only from approved suppliers. All approved suppliers are managed by our COE team, which conducts supplier qualification evaluation on shortlisted suppliers and examines their technological expertise. Furthermore, we also conduct site visits to our existing and new suppliers of hardware components to examine their product samples with respect to the relevant technical requirements, and manufacturing capacity. We conduct thorough examinations of product samples and each of their components at the product testing stage to make sure they satisfy the relevant technical requirements. With respect to our existing hardware products, our quality control team establishes, communicates and monitors quality standards by product category.

**Installation and maintenance**

As hardware components are delivered to project sites for assembly, we typically conduct our testing on site before project handover to our customers. Given the highly customized nature of our projects, we do not have a one-size-fits-all quality control policy, but rather rely on the expertise of our team to ensure quality. Our customers typically provide a signed acknowledgement upon project completion. We typically offer a one-year warranty on our software and hardware products. Our

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customer success team provides remote customer service 24 hours a day, and our engineers provide both remote and on-site technical support depending on the complexity of the issue. We also provide system maintenance for all of our cloud-based solutions. During the Track Record Period and as of the Last Practicable Date, we have not experienced any complaints that have had any material adverse effect on our brand, our business or our results of operations.

### BUSINESS SUSTAINABILITY

We have experienced robust growth during the Track Record Period. Our revenue grew from RMB37.2 million in 2018 to RMB229.1 million in 2019 and further to RMB462.3 million in 2020 with a CAGR of 252.5%, and from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021 with a year-on-year revenue growth rate of 85.8%. Our gross profit margin was 62.9% in 2018 and has been able to maintain a stable level at 31.3% in 2019, 29.1% in 2020, and 30.9% in the nine months ended September 30, 2021. Benefiting from the solid foundation we have built and the momentum we have achieved, our Directors believe we are able to maintain sustainability and growth of our business.

On the other hand, we incurred operating losses during the Track Record Period. In 2018, 2019 and 2020 and the nine months ended September 30, 2021, we recorded net losses of RMB71.2 million, RMB248.4 million, RMB360.6 million and RMB438.0 million, respectively. Eliminating impact of items including share-based payment expenses, finance cost of financial liabilities of redeemable shares and listing expenses, we generated an adjusted net losses of RMB45.4 million, RMB160.0 million, RMB144.5 million and RMB81.0 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Adjusted net loss is a non-IFRS measure. See “Financial Information—Non-IFRS Measure” for more details.

Our net losses were primarily due to the significant amounts of general and administrative expenses and R&D expenses incurred during the Track Record Period. While the absolute dollar amounts of these expenses increased throughout the Track Record Period, which is in line with our business expansion, we plan to implement prudent measures to manage these expenses. As a result, the general and administrative expenses as percentage of our total revenue generally decreased from 133.6% in 2018 to 55.4% in 2019, and further to 42.2% in 2020, with a slight increase to 56.3% for the nine months ended September 30, 2021. The R&D expenses as percentage of our total revenue also generally decreased from 77.1% in 2018 to 49.4% in 2019, and further to 39.3% and 31.9% in 2020 and the nine months ended September 30, 2021. As a result of our continuous expansions and investments in R&D activities, we expect to remain loss-making in the near future.

We have a healthy cash balance to support our business operations and future expansion. During the Track Record Period, we had historically funded our cash requirements primarily with capital contribution from shareholders and financing through the issuance of redeemable shares in Pre-IPO Investments. We had cash and cash equivalents of RMB74.4 million, RMB605.6 million, RMB1,042.5 million and RMB1,654.6 million as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. Furthermore, as of September 30, 2021, our total cash balance was RMB1,654.8 million, including RMB1,654.6 million in cash and cash equivalents and RMB0.2 million in restricted cash. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing adequate liquidity for our expanding business operations. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets, and taking into account the financial resources available to us, without the estimated net proceeds from the Global

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Offering. As such, as of the Latest Practicable Date, other than the funds raised from the Global Offering, we did not expect to conduct additional fundraising activities to sustain our operations before we reach profitability.

Going forward, we plan to achieve profitability primarily (i) maintaining our scalable and efficient business model enabling sustainable growth; (ii) growing our customer base and their repeated spending; (iii) enriching and expanding our AI-based products and solutions; and (iv) improving our results of operations; and (v) improving cashflow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and positive operating cashflows.

### **Scalable and efficient business model enabling sustainable growth**

We are well-positioned to effectively expand and capture opportunities in the manufacturing industry in China, in which we operate our scalable business model. In light of the reusability of our ABS and RDP, it is our “1\*N expansion” strategy to replicate our solutions, which are highly adaptable to existing infrastructure of any new customers. This has enabled our AI-based products and solutions to efficiently achieve scalability and we believe that it would enable sustainable growth. In particular, we developed our AIInnovation Intelligent Manufacturing System that covers a variety of needs for the intelligent transformation of our customers in the manufacturing industry ranging in both operation efficiency and information intelligence. AI-based products and solutions within such system can be selectively deployed by customers in various verticals in the manufacturing industry including iron and steel metallurgy, energy and power, automotive equipment, OLED panel and semiconductor, high-tech/3C, and engineering and construction. Such solutions and products they can be easily utilized individually or in combination by new customers with optimal flexibility.

Leveraging our research capabilities in deep learning, we developed our proprietary AI platforms, namely ManuVision Intelligent Machine Vision Platform, MatrixVision Intelligent Edge Video Platform, and Orion Distributed Machine Learning Platform. The integration of AI technologies with industry insights enabled us to design AI-based products and solutions to help businesses reduce costs, improve operational efficiency, increase business values through intelligent transformation of business operations and information management. Since our inception, our R&D activities resulted in a wealth of intellectual properties. As of September 30, 2021, we had approximately 255 employees engaged in AI and technical functions, accounting for 69.1% of our total employees, and approximately 35.7% of our employees held master’s or higher degrees. As of the Latest Practicable Date, we have applied for 634 AI-related patents, and successfully registered 126 AI-related patents, including 79 invention patents.

Given that we are a first mover in offering AI-based products and solutions designed for the manufacturing industry, we have established our brand in the enterprise AI solutions industry in China. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in the enterprise AI market in China in terms of revenue; and we were the largest AI technology driven solution provider in China’s AI solutions market in the manufacturing industry in terms of revenue. We will continue to explore new solutions and broaden our solution offerings to further unleash the monetization potential of our AI platforms and technologies, and capture more growth opportunities, while deriving additional insights and uncovering new areas to explore, improve and optimize.

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### Robust growth of customer base and increased spending of our customers

During the Track Record Period, our customer base continued to grow and diversify as we expand our business and our service offerings. The number of customers in manufacturing industry increased from 16 in 2018 to 93 in 2020. The number of customers in financial services increased from two in 2018 to 18 in 2020. The total number of customers increased from 50 in 2018 to 157 in 2020. Furthermore, the number of our premium customers increased from 13 in 2019 to 23 in 2020. The percentage of revenue contribution by premium customers increased from 49.8% in 2019 to 82.5% in 2020.

The following table sets forth the number of premium customers, total revenue of our premium customers, percentage of revenue contribution by premium customers, premium customer dollar based repeating rate, total number of our customers and total revenue of our customers during the Track Record Period:

	Period from February 6 to December 31,	Year Ended December 31,		Nine Months Ended September 30,
	2018	2019	2020	2021
Number of premium customers	—	13	23	N/A <sup>(1)</sup>
Premium customer revenue ( <i>RMB in thousands</i> )	—	114,163	381,255	N/A <sup>(1)</sup>
Percentage of revenue contribution by premium customers	—	49.8%	82.5%	N/A <sup>(1)</sup>
Premium customer dollar based repeating rate	N/A	N/A	112.7%	N/A <sup>(1)</sup>
Total number of customers	50	150	157	130
Total revenue ( <i>RMB in thousands</i> )	37,208	229,141	462,324	553,015

Note:

(1) As premium customers are defined as customers with revenue contribution of RMB4.5 million or more in a financial year, the metrics around premium customers for the nine months ended September 30, 2021 are not available.

Our growing customer base reflects not only the strength of our AI-based products and solutions, but our distinguished ability to understand and implement our AI capabilities in various scenarios of our customers' business process. Leveraging our market entry strategy, we could cost-effectively expand our customer base and increase our service engagement with customers over time by offering various AI-based products and solutions for their different business scenarios. The premium customer dollar based repeating rate was 112.7% in 2020, which demonstrated our ability to deepen existing customer base. It is our "1+N cooperation" strategy to promote repurchases from existing customers by addressing other pain points experienced in different scenarios. As our customers realize the benefits of the products and services we provide, they would become more inclined to use and purchase our products or services, thereby increasing their spending. As such, our expanding customer base and increasing customer spending shall be the key drivers for our revenue growth, contributing towards reaching profitability.

Our number of customers increased from 111 in the nine months ended September 30, 2020 to 130 in the nine months ended September 30, 2021. In the future, we plan to further grow our customer base and premium customer base, as well as deepen our customer relationships. We expect to attract new customers in the manufacturing and financial service industries leveraging our "1\*N expansion" strategy and increase average revenue per customer by implementing our "1+N cooperation" strategy. In particular, we have established our market position in verticals in the manufacturing industry which is still in the relatively early stage of adoption of AI technologies.

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We currently mainly offer AI-based products and solutions to be applied in manufacturing and financial service industries, encompassing eight verticals, namely iron and steel metallurgy, energy and power, automotive equipment, OLED panel and semiconductor, high-tech/3C, engineering and construction, banking and insurance. We have been actively and successfully expanding into new industry verticals during the Track Record Period. For instance, our AI-based products and solutions for customers in the manufacturing industry expanding from automatic equipment and high tech/3C in 2018 to engineering and construction and iron and steel metallurgy in 2019, and further to OLED panel manufacturing and energy and power in 2020. We plan to further penetrate to the current verticals and explore more verticals in the manufacturing industry, such as chemicals materials and food and beverage, with our scalable AI platforms and past project experiences serving the customers in the manufacturing industry, as the enterprises in this industry increasingly digitalize their business operations. We believe this will further strengthen our market position in offering AI technology driven solutions in China's AI solutions market in the manufacturing industry and acquire greater market shares.

### **Enriching and expansion of our AI-based products and solutions**

Revenue generated from the sales of AI-based products and solutions witnessed significant growth during the Track Record Period. See “Financial Information—Description of Major Components of Our Results of Operations—Revenue” and “Financial Information—Period-to-Period Comparison of Results of Operations” for a detailed explanation of our revenue growth during the Track Record Period. In addition, according to Frost & Sullivan, the market size of China enterprise AI market has reached approximately RMB139.4 billion in 2020 and is expected to reach approximately RMB836.6 billion by 2025, representing a CAGR of 43.1%. In 2020, the enterprise AI market in China accounts for approximately 75.0% of China's overall AI market, and is expected to expand to approximately 80.0% by 2025. Moving forward, with more extensive adoption of digital and intelligent technologies, China's AI solution market in manufacturing industry is expected to reach approximately RMB64.9 billion by 2025, representing a CAGR of 48.3% between 2020 and 2025. We ranked first in the AI-technology driven solutions provided by third-party service providers for manufacturing industry in 2020 with a market share of 6.3%, which indicated our strengths in serving manufacturing industry compared to other industry peers. As such, we believe we are well positioned to capitalize these industry trends and significant growth opportunities leveraging our market position.

We believe our AI-based products and solutions business will maintain sustainable growth. We will continue to concentrate our efforts to constantly expanding our customer base and our AI-based products and solutions offerings. We regularly enhance our AI platforms with continuous upgrades and the number of technology assets as well as algorithm models developed on our ManuVision platform and MatrixVision platform continues to increase, enabling us to develop more AI-based products and solutions for customers in various business scenarios. For example, the number of technology assets accumulated increased from more than 1,600 by the end of June 2021 to more than 1,800 by the end of September 2021. The algorithm models we developed for our ManuVision platform on defect detection and for our MatrixVision platform on scene inference increased from 215 types and 277 types by the end of June 2021 to 282 types and 352 types by the end of September 2021, respectively. We expect that the algorithm models developed for both AI platforms would continue to grow, contributing to the enriching and expansion of our AI-based products and solutions. We believe the headroom for growth is significant given that (i) we expect strong growth of China's enterprise AI market and China's AI solution market in manufacturing industry; (ii) we are still expanding our offerings for more industry verticals and rolling out more AI-based products and solutions to cater to customers' pain points in



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different business scenarios across industry verticals; and (iii) awareness of the value of our offerings among our existing and potential customers continues to grow as AI solutions have become increasingly popularized due to quality consistency, management efficiency, cost-efficiency and other benefits through using AI solutions, according to Frost & Sullivan. Taking into account the reasons above, we believe that we are well-positioned to continuously grow our AI-based products and solutions business and increase our revenue.

### **Our ability to further improve our results of operations**

Our gross profit experienced significant growth from 2018 to 2020 as well as from the nine months ended September 30, 2020 to the nine months ended September 30, 2021. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our gross profit amounted to RMB23.4 million, RMB71.6 million, RMB134.6 million and RMB170.9 million, respectively, corresponding to gross profit margin of 62.9%, 31.3%, 29.1%, and 30.9%, respectively. The decrease of our gross profit margin was primarily because (i) our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst our AI-based products and solutions sold since 2019 were primarily software and hardware integrated solutions involving more hardware components according to customers' requirements, which generally entailed comparatively lower gross margins than our software-based solutions, and (ii) we offered competitive pricing in 2019 to expand our customer base in manufacturing and financial services industries. Our gross profit and gross profit margin continued to improve after the Track Record Period. Our gross profit increased from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021, with a year-on-year growth rate of 100.4%. Our gross profit margin remained relatively stable at 28.6% in the nine months ended September 30, 2020 and 30.9% in the nine months ended September 30, 2021.

We expect our overall gross margin to improve steadily in the near term, primarily due to the following factors: (i) we expect to enhance bargaining power against our suppliers alongside our business growth. We believe we can negotiate with suppliers for more favorable pricing terms when we continue to scale and make bulk purchase of materials for our AI-based products and solutions. Our cost of sales as a percentage of our total revenue decreased from 70.9% in 2020 to 69.1% in the nine months ended September 30, 2021. (ii) our long-term strategy to diversify our product mix to include more software-based solutions which entail comparatively higher gross profit margin; (iii) we expect to expand our customer base to include small to medium-sized customers in the industry verticals such that we enjoy better pricing negotiation position; and (iv) economies of scale resulting from product standardization and improved delivery efficiency.

Furthermore, we intend to optimize our operating expenses by achieving increasing economies of scale and cost-efficiency as our business continues to grow. We believe that our operating expenses could decrease as a percentage to our total revenue in the near term with the following bases: (i) with respect to our selling and distribution expenses, we expect to continue to benefit increasingly from the network effect of our extensive customer base, the strong word-of-mouth referrals that it generates, as well as leveraging our effective go-to-market strategy and our resource of joint venture partners to penetrate into market; and (ii) with respect to general and administrative expenses and R&D expenses, we expect to enhance our level of centralized management, streamlining our internal workflows, and implementation of the robust measures to manage our operating expenses as detailed below.



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During the Track Record Period, we were able to achieve enhanced operating leverage:

- Our selling and distribution expenses as a percentage of our revenue declined from 55.6% in 2018 to 33.2% in 2019, and further declined to 13.1% in 2020. In the nine months ended September 30, 2021, our selling and distribution expense accounted for 16.5% of our revenue during the same period. We expect selling and distribution expenses to grow alongside our business growth due to the expected increase in the employee compensation expenses and share-based payment expenses. However, we expect it, as a percentage of our total revenue, to continue to decline as a result of our improved operating efficiency.
- Our general and administrative expenses as a percentage of our revenue declined from 133.6% in 2018 to 55.4% in 2019, and further declined to 42.2% in 2020. In the nine months ended September 30, 2021, our general and administrative expense accounted for 56.3% of our revenue during the same period. We expect general and administrative expenses to gradually decrease alongside our business growth due to the expected decrease in the employee compensation expenses and share-based payments expenses. Furthermore, we expect it, as a percentage of our total revenue, to continue to decline as a result of our improved operating efficiency.

We plan to effectively control our general and administrative expenses through (i) prudently monitoring the growth and the necessity of new administrative staff; (ii) closely monitoring our cost structure and effectively managing administrative expense and streamlining organizational structure to enhance the operational efficiency of administrative management; and (iii) improving information systems to enhance our operational efficiency.

- Our R&D expenses as a percentage of our revenue declined from 77.1% in 2018 to 49.4% in 2019 and further to 39.3% in 2020. In the nine months ended September 30, 2021, our R&D expense accounted for 31.9% of our revenue during the same period. We expect R&D expenses to grow alongside our business growth driven by our continual investment in R&D activities on AI technologies to roll out more AI-based products and solutions to cater to customers' pain points in different business scenarios across industry verticals. However, we expect it, as a percentage of our total revenue, to continue to decline as a result of our improved operating efficiency.

We plan to effectively control our R&D expenses through (i) effectively managing R&D cost to enhance the cost-efficiency of our R&D activities by establishing annual R&D project planning, which stipulates relevant budgets; (ii) outsourcing non-critical aspects of our R&D activities, such as data labeling and technical service, to third-party service providers at lower cost; and (iii) continuously optimizing the structure of our R&D team by adjusting the composition of various specialist engineers.

Going forward, we expect to continuously evaluate and monitor the efficacy and efficiency of our R&D expenses in a sustainable manner. We expect to effectively commercialize our R&D outcomes to bring more customers and revenue to us and enhance our operating leverage. Despite our expected significant investments in R&D, we believe the sustainable revenue growth attributable to the increasingly diverse products and services and the expanding customer base would dilute and eventually offset increases in the operating expenses.

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We expect the absolute amounts of our selling and distribution expenses and R&D expenses will continue to increase along our business growth in the future. However, as we expand the scale and scope of our business and AI-based product and service offerings, we expect to benefit from various economies of scale to improve our operational efficiency such that the aggregate amount of our operating expenses as a percentage of our revenue are expected to decline in the near future. Despite the increase in the operating expenses during the Track Record Period, we believe the sustainable revenue growth from our product and service offerings would dilute and eventually offset increases in the operating expenses, leading to profitability. In particular, we believe our operating expenses are measurable and controllable and are spent in accordance to our strategies for long term success. Going forward, we expect to continuously evaluate and monitor the efficacy and efficiency of our operating expenses in a sustainable manner.

### **Solid track record in asset position and continue to improve cash flow position**

We had net current assets as of December 31, 2018, 2019, 2020 and September 30, 2021. As of December 31, 2018, 2019, 2020 and September 30, 2021, our net current assets were RMB80.0 million, RMB662.4 million, RMB1,129.7 million and RMB1,833.3 million, respectively, primarily due to the growth of cash and cash equivalents, financial assets at fair value through profit or loss, and trade receivables, driven by our business expansion. See “Financial Information—Discussion of Key Items Form of Consolidated Statements of Financial Position” for more details. We expect to maintain our net current assets position in the near term in light of our balance of cash and cash equivalents, financial assets at fair value through profit or loss, as well as operating cash inflow. In 2018, 2019, 2020 and the nine months ended September 30, 2021, we had net operating cash outflow of RMB2.9 million, RMB189.0 million, RMB174.2 million and RMB174.4 million, respectively. See “Financial Information—Liquidity and Capital Resources” for more details. We expect to optimize our net operating cash outflows position by taking advantage of (i) increasing revenue growth of our AI-based products and solutions offerings in manufacturing and financial services industries; (ii) increasing revenue per customer leveraging our effective go-to-market strategy; and (iii) improving operating efficiency leveraging our economies of scale as we expect our selling and marketing expenses, R&D expenses and general and administrative expenses would not increase proportionately to the growth of our total revenue, which will further improve our net operating cash outflows position.

### **COMPETITION**

The AI solutions industry in which we operate is highly competitive. We primarily compete with other companies that focus on developing and commercializing AI products and solutions for enterprises. With respect to each industry vertical that we have entered into, we also compete against existing traditional solution providers which are not AI-driven in such vertical. We may also in the future face competition from new entrants that will increase the level of competition. For example, more established technology companies that possess substantial financial resources, sophisticated technological capabilities and broad sales channels may develop solutions that directly compete with ours. See “Industry Overview” for more details of the competitive landscape of the industry in which we operate.

For risks relating to our competitiveness in the industry, see “Risk Factors—Risks Related to Our Business and Industry—The AI solution industries in which we operate are highly competitive, and we face competition in several major aspects of our business. If we fail to compete successfully

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against our current or future competitors, our business, financial condition and results of operations may be materially and adversely affected.”

### INTELLECTUAL PROPERTY

Intellectual property is the foundation of our business, and we have invested significant time and resources in developing and protecting it. We rely on a combination of patent, trademark, copyright, domain name, trade secret and other proprietary rights protection laws, as well as confidentiality procedures and contractual provisions, in China and other jurisdictions to protect our intellectual property.

As of the Latest Practicable Date, we had 125 patents registered with the State Intellectual Property Office of the PRC and 457 pending patent applications. We had 273 trademarks registered with the China Trademark Office and seven registered trademarks in other jurisdictions. In addition, we have 86 pending trademark applications in China and four pending trademark applications in other jurisdictions. We also had 138 software copyrights and owned 30 registered domain names.

For details of our material intellectual property rights, see “Appendix VII—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights”.

We have implemented a set of comprehensive measures to protect our intellectual property, in addition to making trademark and patent registration applications. Leveraging our technical committee and branding team, we employ designated staff to oversee and manage our intellectual properties. Our employees are generally required to enter into a standard employment contract that includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works. During the Track record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings of intellectual property rights with third parties.

### EMPLOYEES

As of September 30, 2021, we had 369 employees. The following table sets forth a breakdown of our employees by function as of September 30, 2021:

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage (%)</u>
Senior management .....	5	1.4
Project implementation and customer success .....	46	12.5
Technology platform and product R&D .....	195	52.8
Sales and marketing .....	76	20.6
General and administrative .....	47	12.7
<b>Total</b> .....	<b>369</b>	<b>100%</b>

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.

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As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial governments, including pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with our employees.

We enter into confidentiality and non-competition agreements with our employees. Such agreements typically include a non-competition provision effective during our employees' employment with us and up to two years after termination, and a confidentiality provision that remains in effect until the protected information becomes public knowledge. We have the right to take legal action against any violations of the agreement. As of the Latest Practicable Date, we were not aware of incidents of breaches of these provisions.

None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

## INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance, as required by PRC laws and regulations. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. During the Track Record Period, we did not make any material insurance claim in relation to our business. See "Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage to cover our potential liability or losses and, as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise."

## ENVIRONMENT, SOCIETY AND GOVERNANCE

We are committed to social responsibility and believe that Environmental, Social and Governance ("ESG") is essential to our sustainable development. We aim to create and enhance a positive impact on our employees, customers and business partners and to improve our environmental responsibility and public responsibility.

Under the oversight of our management, we actively identify and monitor the actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate the considerations for these issues into our business, strategic and financial planning. Our management will assess the likelihood of such risks occurring and the estimated magnitude of any potential impact. Since our business operations do not involve the

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manufacturing of products, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect that we will incur any material liabilities in this regard which could have any material adverse impact on our business and operating results. We have identified potential risks from climate change and other environmental issues that may have potential financial implications for us. For example, if we suffer from extreme weather conditions, our facilities may encounter disruptions and our operations may be directly impacted. Extreme weather may also cause disruptions for our suppliers, which may in turn adversely impact our ability to provide on-premise deployment, on-site meetings or technical support to our customers and end-users. During the Track Record Period, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incident.

We incorporate ESG-related considerations into our product development process and business decisions. Our AI + Manufacturing solutions help customers in the manufacturing industry optimize their business or production process, reduce costs and improve operational efficiency. For example, our intelligent wind power operation and maintenance application helps our customers to improve the reliability and stability of wind power generation process, and our intelligent transportation system substantially eliminates the safety risks in the transportation of molten iron while improving overall locomotive efficiency. In addition, we provide financial institutions with AI-based products and solutions that lower optimizes the utilization of resources, including computing resources and consumer data. For instance, our solution in intelligent hybrid cloud management realizes intelligent allocation, scheduling and maintenance of computing power, especially GPUs, and storage resources, substantially improving the energy efficiency for our customers.

Our management is regularly evaluating and managing business risks and opportunities. We aim to implement sustainable and economically friendly practices in our own operations, such as building energy-saving IT infrastructure, and developing AI models to assess the energy consumption and to assist in lower carbon emission. We also intend to develop AI-based products and services aiming to help improve energy efficiency across various industry verticals.

We have implemented a number of environment-friendly internal policies to reduce the carbon emission arising from our business operations. For example, we encourage low-carbon and environmentally friendly travel. We have protocol to patrol all areas of the office throughout the day and turn off unnecessary air conditioning and power equipment in a timely manner to reduce waste of resources. We actively promote a paperless office. For documents that must be printed, we encourage double-sided printing. We also actively separate and recycle trash to reduce household and work waste. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary, adjust our human resources policies from time to time to accommodate material changes to relevant labor and work safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, work safety or environmental regulations and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws, regulations and rules relating to resources consumption and environmental protection in all material respects.

We are committed to social responsibilities. After the outbreak of COVID-19, we quickly took actions to help fight the pandemic. We organized donations within our Company, and donated a total

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amount of RMB0.6 million, among which RMB0.5 million was used to establish a dedicated fund with the Waterdrop Foundation (水滴匯聚基金會) in support of the efforts against the pandemic in regions most impacted by the COVID-19 crisis, and RMB0.1 million was used for the purchase of masks and other medical equipment to assist the infected areas.

We focus on areas where we can utilize our existing capabilities to empower our industry and society at large. For example, in support of the efforts against COVID-19 in China, we have used our expertise to help with the relief effort nationwide. For example, we made donations of our proprietary mobile temperature measuring nucleic acid sampling room to the disease control and prevention centers in cities such as Jiaxing, Qingdao and Guangzhou and Shanghai, which vastly enhanced the safety and efficiency of nucleic acid test processes and services in local communities and hospitals.

### PROPERTIES

As of the Latest Practicable Date, we did not have any self-owned property in China, and leased 14 properties with an aggregate gross floor area of 24,344.22 square meters for commercial use.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we had not yet completed the registration of 10 property lease contract we entered into in the PRC. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the registration of any of our future lease agreements after we are requested to do so by the competent PRC government authorities. As of the Latest Practicable Date, we have not been ordered to make corrections by the competent local counterpart of Ministry of Housing and Urban Development.

As of the Latest Practicable Date, the actual usage of two leased properties was inconsistent with the usage set out in such title certificates or relevant authorization documents. With respect to these properties, our PRC Legal Advisor is of the view that we may not be able to lease, occupy and use such leased properties if the lease was challenged by any interested party or if the lessor was penalized by the competent government authority.

In addition, as of the Latest Practicable Date, lessors of three of our leased properties had not provided us with valid title certificates, relevant authorization documents or permissions evidencing their rights to lease the properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties.

According to the ownership certificates provided by the owner, one of our leased properties is located on allocated land and the use of such leased property is not consistent with the designated use of land stated on the ownership certificate. As of the Latest Practicable Date, our operation on the allocated land had not been disrupted nor were we forced to relocate our operations.

The following table sets forth the details of our leased properties with legal defects as of the Latest Practicable Date:

Number	Location	Current Usage	Expiry Date	Legal Defect
1.	Qingdao, Shandong	Office	July 31, 2026	Unregistered lease contract
2.	Shenzhen, Guangdong	Office	June 7, 2022	Valid property ownership certificate not provided



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Number	Location	Current Usage	Expiry Date	Legal Defect
3.	Guangzhou, Guangdong	Equipment installation and testing	June 30, 2023	Valid property ownership certificate not provided
4.	Jiaxing, Zhejiang	R&D and office	April 30, 2022	Unregistered lease contract
5.	Chengdu, Sichuan	R&D and office	February 27, 2023	Unregistered lease contract; inconsistent usage with the designated use of the allocated land
6.	Shanghai	Office	March 31, 2022	Unregistered lease contract
7.	Nanjing, Jiangsu	R&D and office	July 31, 2023	Unregistered lease contract; valid property ownership certificate not provided
8.	Chongqing	R&D and office	Non-fixed term	Unregistered lease contract; inconsistent usage with title certificates
9.	Hefei, Anhui	R&D and office	December 31, 2022	Unregistered lease contract; inconsistent usage with title certificates
10.	Beijing	Company registration	July 23, 2022	Unregistered lease contract
11.	Beijing	Office	January 31, 2022	Unregistered lease contract
12.	Beijing	Office	January 31, 2022	Unregistered lease contract

As of the Latest Practicable Date, we intended to renew lease agreements subject to subsequent negotiation with the relevant landlords. Our Directors confirmed that the abovementioned title defects would not materially and adversely affect our business operations. Pursuant to the relevant lease agreements with the local governments, our subsidiaries in Chengdu, Hefei and Chongqing received operation site support and rental subsidies, which cover the potential loss of rent as a result of potential relocation. As such, we expect any loss that we may incur due to the leased properties with inconsistent usage to be minimal. For any of our leased buildings with any of the aforementioned legal defects, if we have to terminate the leases or relocate from such leased properties with title defects, we are able to relocate to qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

As advised by the PRC Legal Advisor, considering that during the Track Record Period and up to the Latest Practicable Date, (i) the Group has not been asked by any lessor, third party or governmental agency to vacate the relevant leased properties, (ii) the Group has not received any administrative penalty relating to the leased properties, and (iii) the Group has not violated any terms of the relevant lease contracts, the likelihood that the Group will be asked to vacate the relevant leased properties is relatively low.

As of December 31, 2020, 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.

**LEGAL PROCEEDINGS AND COMPLIANCE****Legal Proceedings**

As of the Latest Practicable Date, we were not a party to, and we were not aware of any threat of, any legal, arbitral or administrative proceedings, which, individually or in the aggregate, in our opinion, is likely to have a material and adverse effect on our business, financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. Regardless of the outcome, such proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Compliance**

During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in relation to our business in all material respects.

**THE U.S. EXPORT CONTROL LAWS AND REGULATIONS**

We had transactions with certain companies on the Entity List (Supplement No. 4 to 15 CFR Part 744) since 2019. In order to comply with the EAR, 15 CFR parts 730-770, we conducted a review of the items we purchased from and services we provided to these companies after the Entity List restrictions went into effect.

**Procurement**

In 2019, 2020 and the nine months ended September 30, 2021, our procurement from the companies on the Entity List primarily included cameras, webcams and smart vending machines. In such periods, the actual transaction amount in relation to our procurement from such companies amounted to RMB1.0 million, RMB0.4 million and RMB0.5 million, respectively.

Under Section 744.16(a) of the EAR (15 CFR §744.16(a)), a license from the Bureau of Industry and Security of the US Department of Commerce (“**BIS License**”) would be required for any transactions involving the export, reexport, or in-country transfer of any items subject to the EAR where entities on the Entity List is a purchaser, end-user, intermediate consignee, or ultimate consignee. Our transactions with the relevant suppliers did not involve any export, reexport, or in-country transfer of any items where each of the relevant company is a purchaser, intermediate consignee, ultimate consignee, or end-user. In addition, we contacted the relevant suppliers to confirm whether such items are in fact subject to the EAR. As of the Latest Practicable Date, there were three suppliers that are on the Entity List, and, all of such suppliers have confirmed that the relevant items are not subject to the EAR and such items were not involved in any actual or suspected violation of the EAR.

Our legal advisor is of the view that the items and scope of services we procured from our suppliers on the Entity List during the Track Record Period and up to the Latest Practicable Date did not violate any applicable restrictions of the EAR, given that (1) such suppliers did not act as a purchaser, end-user, intermediate consignee, or ultimate consignee of such items and accordingly did not trigger the relevant Entity List restrictions under the EAR, and (2) our suppliers on the Entity List have confirmed that such items were not subject to the EAR, and accordingly were not subject to the applicable EAR restrictions in the first instance.

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### Provision of Service

In 2020, we entered into a contract with a company on the Entity List, which included provision of software compatibility testing service to such entity. The transaction was one-off and non-recurring in nature. The actual transaction amount in relation to the provision of such service amounted to RMB350,000. As the scope of the relevant contract did not involve any export, reexport, or in-country transfer of any items where any entity on the Entity List is a purchaser, intermediate consignee, ultimate consignee, or end-user, a BIS license would not have been required for such transactions. In addition, our provision of such service did not constitute any violation of the EAR.

Our legal advisor is of the view that the scope of services we provided to our customer on the Entity List during the Track Record Period and up to the Latest Practicable Date did not violate any applicable restrictions of the EAR, as the relevant provision of service did not require a BIS license and were not subject to the applicable EAR restrictions in the first instance.

As such, we believe that (i) the items or scope of services involved in the transaction between the Group and its customer who are listed on the Entity List are not subject to the EAR; and (ii) we did not violate the imposed restrictions under the EAR with respect to the transactions with the relevant suppliers on the Entity List during the Track Record Period and up to the Latest Practicable Date.

Recently, the U.S. Department of the Treasury has designated a number of Chinese companies as Chinese Military-Industrial Complex companies (“CMIC”) on the Non-SDN Chinese Military-Industrial Complex Companies List (“NS-CMIC List”) under Executive Order 13959, as amended by Executive Order 14032 (the “Executive Order”). The Executive Order prohibits United States persons, as defined in Section 4(d) of the Executive Order, beginning on the effective date of the relevant CMIC from “the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of any person listed” as a CMIC, unless licensed or authorized by the relevant US government authority. Our Directors are of the view that the NS-CMIC List has not had any material adverse impact on our business operations and financial performance because, as advised by our legal advisor, (i) the aforesaid restrictions only apply to the specific entity identified on the NS-CMIC List, and not to any entities that are not specifically listed; and (ii) the NS-CMIC List does not impose any restrictions on the business operations of the identified entity. As of the Latest Practicable Date, our Company has not been designated as a CMIC on the NS-CMIC List.

### LICENSES, APPROVALS AND PERMITS

Our Directors, as advised by our PRC Legal Advisor, confirm that, as of the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in China. Such business licenses had remained in full effect.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. 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 risk management policies in various aspects of our business operations such as financial reporting, information system, compliance and intellectual property and human resources.

**Financial Reporting Risk Management**

We have adopted comprehensive accounting policies in connection with our financial reporting risk management, such as financial management, budget management and financial statement preparation. We also have procedures in place to carry out such accounting policies, and our finance department reviews our management accounts in accordance with such procedures. In addition, we provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented. As of the Latest Practicable Date, our finance department consisted of 16 employees headed by Mr. John Cao.

**Information System Risk Management**

Sufficient maintenance, storage and protection of end-user data is critical to our success. We have implemented relevant internal procedures and controls to ensure the security of our IT infrastructure, that our data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of end-user data.

We have established an information system security management framework, including relevant internal control and risk management mechanisms to manage network security, data security, anti-virus measures, approval procedure for system changes. Our data is stored in a centralized data center, back-up such data on a weekly basis in separate and various secured data back-up systems to minimize the risk of data loss or leakage. We have also established clear standards and requirements for data backup and archive to reduce the risk of data loss and conduct backup recovery tests regularly to examine the status of the backup. In addition, we implemented an asset of procedures such as regular system check, password policy, access control system, as well as data recovery test, to safeguard our information assets and ensure the proper management of our operational data.

We provide information security training to our employees from time to time. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis. Our IT operation and maintenance department is responsible for maintaining our IT systems and infrastructure to ensure that the usage, storage and protection of user data are in compliance with our internal rules and the applicable laws and regulations.

**Compliance and Intellectual Property Risk Management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, as well as the protection of our intellectual property rights. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements. There was no material and systemic non-compliance during the Track Record Period and as of the Latest Practicable Date.

We have in place detailed internal procedures to review our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general

public. Our COE is responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities.

### **Human Resources Risk 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 incompliance with our code of conduct, work ethics, and violations of our internal policies or illegal acts at all levels of our Group.

### **Anti-bribery and Anti-corruption Management**

We have in place an anti-fraud policy to safeguard against any bribery, corruption and fraud within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. The Board has accordingly appointed an anti-fraud committee to administer the policy. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts, which may be anonymous. Any reported incidents and personnel will be investigated and appropriate measures will be taken.

### **Corporate Governance Measures**

We are dedicated to the establishment and maintenance of a robust internal control system. We have established an Audit Committee on our Board, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management of our Group, overseeing the internal audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee consists of Mr. Xie Deren, Ms. Ko Wing Yan Samantha and Mr. Wang Hua.

In preparation for the Listing, the Group has engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in March 2021 (the “**Internal Control Review**”) The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between the Company, the Joint Sponsors and the Internal Control Consultant, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. The selected areas of the Company’s internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including revenue and receivables, purchases and payables, inventory, cost, payroll, fixed assets, treasury, insurance, financial reporting, tax and general controls of information technology. The Internal Control Consultant performed the follow up reviews in June 2021 to review the status of the management actions taken by the Group to address the findings of the Internal Control Review (the “**Follow up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow up Review.

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We also maintain an internal control and audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified, improving our internal control system and procedures by effectively identifying internal control failures and weaknesses through regular interviews with the head of each department and responsible line managers, giving advice on overall risk assessment strategies and risk management solutions for our major projects, and reviewing the key indicators, such as our revenue, on an ongoing basis and report to sales and finance departments to ensure that any major issues identified are channeled on a timely basis.

We would adopt corporate governance measures to manage potential conflict of interests between our Group and the Single Largest Shareholders Group and its close associates upon Listing. See “Relationship with Our Single Largest Shareholders Group - Corporate Governance Measures.”

### AWARDS AND RECOGNITIONS

Some of the most prestigious international AI challenges our team has won during the Track Record Period and as of the Latest Practicable Date are set forth below:

- Multiple Object Tracking (MOT) Challenge 2020 for the multiple object detection task under MOT17Det dataset;
- PASCAL Visual Object Classes 2019, the world’s authoritative public evaluation datasets for object detection;
- Cityscapes 2019, the world’s authoritative public evaluation datasets for instance segmentation;
- MIT Scene Parsing Benchmark 2020, the world’s most authoritative and representative scene parsing evaluation sets; and
- GOT-10K 2020, the world’s authoritative evaluation datasets for generic object tracking.

In addition, we were also given some of the most prestigious recognitions in the industry during the Track Record Period and as of the Latest Practicable Date, including:

- Gartner 2021 Cool Vendor in AI for Computer Vision;
- Gartner 2021 Example Vendor for Global Machine Vision;
- Machine learning platform developer with the 4th largest market share in China 2020 and the first half of 2021 (IDC);
- Computer vision application solution and product provider with the 5th largest market share in China in the first half of 2021 (IDC);
- AI-powered industry quality control solution and product provider with the second largest market share in China 2019 (IDC);
- Forrester Midsize Machine Learning Enterprise in China 2020;
- MIT Technology Review 50 Smartest Companies 2020;
- FT Most Innovative Companies in China 2020;
- CB Insights AI 100 2020, a list of the 100 most promising AI startups across the globe;
- Harvard Business Review Ram Charan Management Practice Awards 2019; and
- Fast Company 50 Most Innovative Companies in China 2020.



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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

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### THE SINGLE LARGEST SHAREHOLDERS GROUP

As of the Latest Practicable Date, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning together held approximately 30.01% (26.24%, 1.68%, 1.68% and 0.42%, respectively) of the issued share capital of our Company. Mr. Wang Hua joined and has served as a partner of Sinovation Ventures Group since 2009, Ms. Tao Ning joined and has served as a partner of Sinovation Ventures Group since 2010, Ms. Lang Chunhui joined and has served as a partner of Sinovation Ventures Group since 2011, and Mr. Zhang Ying joined and has served as a partner of Sinovation Ventures Group since 2015. They have been working closely with each other on the operations and investment decisions of Sinovation Ventures Group. In September 2015, to strengthen the control and management of Sinovation Ventures, they entered into a concert party agreement, pursuant to which they have agreed to act in concert at the shareholders' meetings of Sinovation Ventures. In addition, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying jointly established Sinovation Ventures Yucheng in July 2015. As of the Latest Practicable Date, Sinovation Ventures was held as to 25.31%, 12.82%, 10.34%, 10.34% and 18.20% by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui, Mr. Zhang Ying and Sinovation Ventures Yucheng. Sinovation Ventures Yucheng was held as to 43.75%, 18.75%, 18.75% and 18.75% by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui, Mr. Zhang Ying.

Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company's Shareholders meetings and board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Single Largest Shareholders Group will be interested in approximately 27.61% (24.14%, 1.54%, 1.54% and 0.39%) of our enlarged issued share capital, and our Company will not have any controlling shareholder upon the completion of the Global Offering.

### NON-COMPETITION UNDERTAKING

Each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying has signed a non-competition undertaking on January 12, 2022 in favor of our Group (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, the Single Largest Shareholders Group has irrevocably undertaken that, it would not and will procure that its close associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on its own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the principal business of any member of our Group from time to time (the "**Restricted Business**").

### Pre-emptive Right

Our Single Largest Shareholders Group has undertaken that if it and/or its close associates (excluding the Group's member companies) intend to transfer, sell, lease or license concession to a third party any businesses engaged in by our Single Largest Shareholders Group and/or its close associates which competes or may competes with the Restricted Business or any other businesses which would cause direct or indirect competition with the Restricted Business, it shall offer our Group

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

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such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties. For the avoidance of doubt, the terms of disposal offered by our Single Largest Shareholders Group and/or its close associates (excluding the Group's member companies) to any third parties shall not be more favorable than those to be offered to the Company. The Company shall reply to the Single Largest Shareholders Group and/or its close associates (excluding the Group's member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the disposal notice or a longer period pursuant to the applicable laws, regulations and rules, as amended from time to time, whether it would exercise the pre-emptive right.

### **Option for New Business Opportunities**

The Single Largest Shareholders Group has further undertaken that if it and its close associates (excluding our Group's member companies) is offered or becomes aware that it or its close associates are or will be engaged in any Restricted Business, it shall and shall procure its close associates to promptly notify our Company in writing and the Company has an option to take up such business opportunity. The Company shall reply to the Single Largest Shareholders Group and/or its close associates (excluding the Group's member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the disposal notice or a longer period pursuant to the applicable laws, regulations and rules, as amended from time to time, whether it would exercise the option for new business opportunities. However, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Company's option for new business opportunities shall be subject to such third-party rights. In such case, our Single Largest Shareholders Group and/or its close associates (excluding the Group's member companies) will use its best efforts to persuade the third party to waive its preemptive rights.

The above undertaking does not apply where:

- (i) the Single Largest Shareholders Group and/or its close associates hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;
- (ii) the Single Largest Shareholders Group and/or its close associates hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than our Group, and such companies are not engaged in the Restricted Business;
- (iii) the Single Largest Shareholders Group and/or its close associates hold any equity interests in any company other than our Group, provided that:
  - (a) according to the latest audited accounts of such company, the Restricted Business in which such company is engaged (and its related assets) accounts for less than 50% of the consolidated sales or consolidated assets of such company; or
  - (b) the total number of shares held by the Single Largest Shareholders Group and/or its close associates account for less than 30% of the shares of the same class issued by the relevant company, and the Single Largest Shareholders Group and/or its close associates have no right to appoint most of the directors of such company or has control over such company.

Pursuant to the Non-competition Undertaking, the above restrictions would only cease to have effect upon the earlier of: (i) the H Shares of our Company cease to be listed on the Stock Exchange; or

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

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(ii) the Single Largest Shareholders Group, in whole or in part, ceases to be the single largest shareholder or it is interested in less than 20% of the Company's issued share capital.

### INDEPENDENCE FROM THE SINGLE LARGEST SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that our business will function independently from the Single Largest Shareholders Group and its close associates after the completion of the Global Offering.

#### Management Independence

Our business is managed and conducted by our Board and senior management, and our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (i) our executive Director and all our senior management members, who did not hold any management position and/or directorship in the Single Largest Shareholders Group or its close associates as of the Latest Practicable Date, are responsible for the day-to-day management and operation of our Company;
- (ii) notwithstanding that Dr. Kai-Fu Lee and Mr. Wang Hua, our non-executive Directors, hold positions and/or interests in the Single Largest Shareholders Group, they are mainly participating in our Company's management through attending board meetings, and are not responsible for the day-to-day management and operation of our Company;
- (iii) each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (iv) 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 close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (v) all of our three independent non-executive Directors are independent of the Single Largest Shareholders Group and have extensive experience in their respective areas of expertise. See "Directors, Supervisors and Senior Management". All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions; and
- (vi) upon completion of the Global Offering, our Company will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Shareholders Group which would support our independent management. See "—Corporate Governance Measures" in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Based on the above, the Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial responsibility in our Group independently.

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

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### **Operational Independence**

We are in possession of all key technology relating to our Group's business and have obtained all relevant requisite qualifications and approvals for conducting our business in all material respects. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on the Single Largest Shareholders Group and its close associates for any significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, technologies and employees to operate our business independently from the Single Largest Shareholders Group and its close associates. We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

We entered into certain continuing connected transactions with Sinovation Ventures, a member of our Single Largest Shareholders Group. See "Connected Transactions". Considering that our access to independent sources and the sufficient competitive market, our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable partners or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and operational needs without causing any undue delay.

Based on the above, our Directors are of the view that the Company operates independently from the Single Largest Shareholders Group and its close associates.

### **Financial Independence**

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Single Largest Shareholders Group and its close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the Single Largest Shareholders Group and its close associates. Our Company makes tax registration and pays tax independently with its own funds. In addition, our Company is capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Single Largest Shareholders Group or their respective associates. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of the Single Largest Shareholders Group and its close associates.

We do not rely on the Single Largest Shareholders Group and/or its close associates by virtue of their provision of financial assistance. As of the Latest Practicable Date, all borrowings and non-trade nature balances between the group of our Single Largest Shareholders Group and/or its close associates, and us have been settled.

Based on the aforesaid, our Directors believe that we are able to maintain financial independence from the Single Largest Shareholders Group and its close associates.

### **CORPORATE GOVERNANCE MEASURES**

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage

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## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDERS GROUP

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potential conflict of interests between our Group and the Single Largest Shareholders Group and its close associates upon Listing:

- (i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Shareholders' meeting involves proposed transactions in which the Single Largest Shareholders Group or its close associates has a material interest, the Single Largest Shareholders Group or its close associates will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with the Single Largest Shareholders Group or any of its close associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- (iv) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (v) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules; and
- (vi) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Single Largest Shareholders Group and/or Directors to protect minority Shareholders' rights after the Listing.

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## CONNECTED TRANSACTIONS

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Upon Listing, transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

### OVERVIEW

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Sinovation Ventures will hold more than 10% of the voting right in our enlarged share capital, and thus will be our connected person. We entered into a framework service agreement on January 12, 2022 with Sinovation Ventures, the performance of which will continue after Listing, thus constitute a continuing connected transaction of our Company under Chapter 14 of the Listing Rules upon Listing.

### SUMMARY OF THE TRANSACTION

Name of the Transaction	Applicable Listing Rules	Waiver Sought	Proposed Annual Caps for the Year Ending December 31 (RMB in thousand)		
			2022	2023	2024
<b>NON-EXEMPT CONTINUING CONNECTED TRANSACTION</b>					
Image Detection Technology Service Framework Agreement .....	14A.34, 14A.35, 14A.49 to 14A.59 14A.71, 14A.105	Waiver from announcement requirement	3,500	4,500	6,000

### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

#### Image Detection Technology Service Framework Agreement

**Parties:**

Our Company; and

Sinovation Ventures

**Principal terms**

We entered into a framework agreement with Sinovation Ventures (the “**Image Detection Technology Service Framework Agreement**”) on January 12, 2022, pursuant to which our Group will provide customized image detection technology services including development, operation and maintenance of automatic machine learning image detection platforms, to Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a customer designated by Sinovation Ventures (the “**Designated Customer**”). To improve its operational efficiency and promote its digitalized business process, the Designated Customer began to establish business relationship with us in 2020. The Designated Customer requires a large number of sales management personnel covering regions where its products are sold to inspect the retail points of sale, and review the sales performance on a regular basis, which resulted in a large amount of labor costs. The image detection technology could assist the Designated Customer to efficiently screen the displayed products and analyze the percentage of displayed products of the Designated Customer and its competitors and respective prices



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## CONNECTED TRANSACTIONS

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in retail points of sales, so that the Designated Customer could conveniently track the sales performance on a real-time basis, and thus improve the inspection efficiency, strengthen supervision, and reduce the inspection costs.

The initial term of the Image Detection Technology Service Framework Agreement will commence on the Listing Date and end on December 31, 2024, and can be renewed upon its expiry as agreed by the parties to the agreement.

Subject to the general principles as set out in the Image Detection Technology Service Framework Agreement, separate underlying agreements will be entered into which will set out the details of the services provided, price, payment method and other details of the service arrangements. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

### ***Reasons for the transaction***

The Designated Customer is a leading dairy enterprise listed on the Shanghai Stock Exchange (stock code: 600887). As a listed company, it has in place an internal policy for selection of suppliers, considering such factors including length of operational period, amount of registered capital, independence, its current business relationship with the Designated Customer's competitor, profitability and industry knowledge. Although we fulfill the requirements of amount of registered capital, independence of the Designated Customer and its competitors, and industry knowledge based on our technical capabilities, due to our relatively short operation history, we have not met the requirements of the length of operational period and profitability, but Sinovation Ventures has met all the requirements set out by the Designated Customer. Established in November 2011, Sinovation Ventures is a platform for supporting business startups and technology innovation, primarily engaged in providing entrepreneurial services including consultation and financing for startups, and fund management outsourcing services. Sinovation Ventures recognized profit of approximately RMB28.9 million for the six months ended June 30, 2019. In particular, the Designated Customer also considers Sinovation Ventures has met the requirements of industry knowledge considering its long-term investment in our Company, as well as our business capability and experience. Accordingly, the Designated Customer chose to enter into agreements with Sinovation Ventures, considering it would in turn engage us to provide image detection technology services to the Designated Customer directly. Sinovation Ventures did not engage in any businesses which compete or is likely to compete with our Group during the Track Record Period and as of the Latest Practicable Date.

Sinovation Ventures began to enter into agreements with the Designated Customer in December 2019, and generated image detection service fees in 2020 with an amount of approximately RMB0.80 million. It is expected that the service fees payable to Sinovation Ventures by the Designated Customer would be approximately RMB3.67 million, RMB4.72 million and RMB6.3 million for the three years ending December 31, 2024, respectively.

The provision of image detection technology services to Sinovation Ventures will be conducted in our ordinary course of business and on a continuing basis, which will provide us with a stream of recurrent income and enhance our financial performance.

### ***Pricing policies***

Fees to be received by us consist of (i) a fixed fee charged for the development of the image detection platforms; and (ii) fees for the subsequent use of the platforms with different ranges

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## CONNECTED TRANSACTIONS

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categorized by number of images detected. Such fees shall be determined by relevant parties at arm's length negotiation on a cost-plus basis and shall be no more favorable than similar services our Group provided to other Independent Third Parties.

Fee structure charged by Sinovation Ventures on the Designated Customer is identical to the fee structure charged by us on Sinovation Ventures under the Image Detection Technology Service Framework Agreement. Fees paid by Designated Customer to Sinovation Ventures and fees paid by Sinovation Ventures to us were negotiated and agreed among the Designated Customer, Sinovation Ventures and us. After the Designated Customer pays the service fees to Sinovation Ventures, Sinovation Ventures would charge no more than 5% of such fees as rewards for facilitating the business cooperation of our Group and the Designated Customer which is determined at the arm's length negotiation between Sinovation Ventures and our Company, and pay the rest of the amounts to our Group. Fees paid to our Group after such deduction shall be still no less favorable than similar services our Group provides to other Independent Third Parties.

### *Historical amounts*

We started to provide image detection technology services to Sinovation Ventures in 2020. The historical amounts of fees relating to the provision of image detection technology services by our Group to Sinovation Ventures for the year ended December 31, 2020 and the nine months ended September 30, 2021 were approximately RMB734,000 and RMB1,453,000, respectively.

### *Annual caps*

The following table sets forth the proposed annual caps under the Image Detection Technology Service Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	(RMB in thousand)		
<b>Maximum fees to be received by our Group relating to the provision of image detection technology services to the Designated Customer . . . .</b>	3,500	4,500	6,000

### *Basis of caps*

When determining the annual caps, our Directors have taken into consideration the following factors:

- (i) the historical service fees received by our Group relating to the provision of image detection technology services to Sinovation Ventures were relatively low due to the fact that the image detection platforms were mainly under development in 2020, and has been put into full use since 2021, which is expected to result in a significant increase in our service fees as fees originated from usage of the platforms would account for over 65% of the fees under the image detection technology services agreement, which has begun to occur since the second half of 2021;
- (ii) the expected increase in Sinovation Ventures' provision of services to the Designated Customer as a result of the expansion of application of our services across different business units and scenarios of the Designated Customer given our established satisfactory business relationship with the Designated Customer. In particular, we have entered into

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## CONNECTED TRANSACTIONS

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several service order agreements under the Image Detection Technology Service Framework Agreement since April 2021, pursuant to which we expanded our image detection services to two new business units of the Designated Customer. In addition, we also participated in a special event program which requires image detection platforms to facilitate the marketing activities of the Designated Customer during a sporting event. The relevant image detection platforms pursuant to these agreements have been put into use since May 2021. We expect to receive approximately RMB6 million in total pursuant to existing agreements, as the relevant image detection platforms are gradually put into full use; and

- (iii) the expected increase in images detected as a result of the increased usage frequency of the existing image detection platforms.

### *Listing Rules implications*

In respect of the transactions under the Image Detection Technology Service Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but be less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement and the announcement requirement but will be exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **INTERNAL CONTROL MEASURES**

In order to ensure that the terms under the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- (i) we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps;
- (ii) the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the connected transaction updates. In addition, the management of the Company also regularly reviews the pricing policies of the connected transactions;
- (iii) our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions and provide annual confirmation to ensure that, in accordance with the Listing Rules, the continuing connected transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies, and are fair and reasonable in the interests of the Shareholders as a whole;

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## CONNECTED TRANSACTIONS

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- (iv) when considering fees to be provided to the above connected persons by our Group, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties; and
- (v) when considering any renewal or revisions to the connected transactions after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

### CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will continue to be carried out in our ordinary and usual course of business of our Company and on normal commercial terms that are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transaction described in this section and have obtained confirmation in relation to such transaction from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the aforesaid non-exempt continuing connected transaction has been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps in respect of the non-exempt continuing connected transaction described in this section are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### WAIVER GRANTED BY THE STOCK EXCHANGE

In respect of the continuing connected transactions as described above under the Image Detection Technology Service Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2024 are expected to exceed 0.1% but be less than 5% on an annual basis. Accordingly, the continuing connected transactions under the Image Detection Technology Service Framework Agreement are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

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## CONNECTED TRANSACTIONS

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As the above non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in case of the Image Detection Technology Service Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### OVERVIEW

Our Board consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

Our Supervisory Committee consists of three Supervisors, including two Supervisors appointed by shareholders' general meeting and one employee representative Supervisor. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Principal roles and responsibilities</u>	<u>Time of joining the Group</u>	<u>Date of appointment as Director</u>	<u>Relationship with other Directors, Supervisors and senior management</u>
Mr. Xu Hui (徐輝) .....	48	Executive Director and Chief Executive Officer	Formulating the business strategies, making major corporate and operational decisions, and responsible for the overall management of our Group	February 2018	April 23, 2018	None
Dr. Kai-Fu Lee (李開復) .....	60	Chairman and Non-Executive Director	Ensuring the Board's effective performance of its function and providing professional opinion and judgment to the Board; Chairman of the Nomination Committee	February 2018	February 6, 2018	None
Mr. Wang Hua (汪華) .....	44	Non-Executive Director	Providing professional opinion and judgment to the Board; member of the Audit Committee	February 2018	February 6, 2018	None



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Principal roles and responsibilities</u>	<u>Time of joining the Group</u>	<u>Date of appointment as Director</u>	<u>Relationship with other Directors, Supervisors and senior management</u>
Mr. Zhou Wei (周偉) .....	33	Non-Executive Director	Providing professional opinion and judgment to the Board; member of the Remuneration Committee	February 2019	February 12, 2019	None
Mr. Xie Deren (謝德仁) .....	50	Independent non-executive Director	Providing independent opinion and judgment to the Board; Chairman of the Audit Committee and member of the Remuneration Committee	May 2021	May 14, 2021	None
Ms. Ko Wing Yan Samantha (高穎欣) .....	42	Independent non-executive Director	Providing independent opinion and judgment to the Board; Chairwoman of Remuneration Committee; member of the Nomination Committee and Audit Committee	May 2021	May 14, 2021	None
Ms. Jin Keyu (金刻羽) .....	39	Independent non-executive Director	Providing independent opinion and judgment to the Board; member of Nomination Committee	November 2021	November 16, 2021	None

The following table sets forth certain information of our Supervisors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Principal roles and responsibilities</u>	<u>Time of joining the Group</u>	<u>Date of appointment as Supervisor</u>	<u>Relationship with other Directors, Supervisors and senior management</u>
Ms. Lin Ying (林鶯) .....	42	Supervisor	Overseeing our operations and financial activities	February 2018	February 6, 2018	None
Mr. Gu Xuan Richard . . .	51	Supervisor	Same as above	May 2021	May 14, 2021	None
Mr. Nie Mingming (聶明銘) .....	25	Employee Representative Supervisor	Same as above	January 2020	May 14, 2021	None

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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The following table sets forth certain information of the senior management of the Group:

Name	Age	Position	Principal roles and responsibilities	Time of joining the Group	Date of appointment as senior management	Relationship with other Director(s), Supervisor(s) and senior management
Mr. Xu Hui (徐輝) . . . . .	48	Executive Director and Chief Executive Officer	Formulating the business strategies, making major corporate and operational decisions, and responsible for the overall management of our Group	February 2018	February 26, 2018	None
Mr. He Tao (何濤) . . . . .	51	Chief Revenue Officer	Responsible for sales management	April 2018	April 2, 2018	None
Mr. Zhang Fa'en (張發恩) . . . . .	40	Chief Technology Officer	Responsible for management of technology R&D	May 2018	May 18, 2018	None
Mr. Cao John (曹鈞) . . . . .	49	Chief Financial Officer	Responsible for management of financial and legal matters	March 2021	May 14, 2021	None
Mr. Xiao Lei (肖磊) . . . . .	33	Secretary to the Board and Joint Company Secretary	Responsible for our corporate governance, information disclosure and investor relations management	January 2020	May 14, 2021	None

### DIRECTORS

#### Executive Director

**Mr. Xu Hui (徐輝)**, aged 48, is the co-founder of our Group and has served as an executive Director since April 2018 and the Chief Executive Officer since our Company's incorporation in February 2018. Mr. Xu has more than 20 years of experience in AI-related industry. Mr. Xu held various senior leadership capacities including serving as the General Manager of the Insurance and Securities Division, the Deputy General Manager of Banking Division in China Region of Financial Services Sector; the General Manager of Services and Products Line Group and Alliances in Greater China Region and the General Manager of Geography Expansion in China Region of Global Technology Services Sector in IBM from November 1996 to November 2009, responsible for sales management of AI softwares and solutions covering IT infrastructure, cloud computing, data storage, IT operation and maintenance for manufacturing and financial industry; the Vice President in Greater China Region and General Manager in East and Central Region in SAP from October 2009 to February 2013, responsible for sales management of AI softwares and solutions covering intelligent integrated information management platform and IT consulting services for manufacturing industry; the Vice President and General Manager of Microsoft Enterprise & Partner Group (EPG) in Greater China

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Region, the General Manager of Customer Service and Support (CSS) in Greater China Region and Cloud Executive Sponsor in Asia Pacific Region from March 2013 to November 2016, responsible for sales and technical management of AI softwares and solutions covering enterprise O2O intelligent transfer, cloud computing and big data analytics; and the Vice President of Wanda Internet Technology Group from November 2016 to January 2018, primarily engaged in providing full-chain business management services of digitalized and intelligent transformation solutions covering cloud computing, big data analytics, intelligent marketing and operations, intelligent supply chains and IOT. He has been an independent non-executive director of Honma Golf Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6858) since September 2016.

Mr. Xu obtained his bachelor's degree in electronic engineering from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC in July 1995, and his EMBA degree from Peking University (北京大學) in Beijing, the PRC in January 2007.

### Non-executive Directors

**Dr. Kai-Fu Lee (李開復)**, aged 60, has served as our Chairman and a non-executive Director since February 2018. Dr. Kai-Fu Lee has more than 30 years of experience in AI-related industry. He served as a researcher and an assistant professor at school of computer science of Carnegie Mellon University from 1988 to 1991; successively holding several positions including a Vice President of Apple Inc., a company listed on NASDAQ (stock code: AAPL), from 1990 to 1996; the Managing Director of Microsoft Research China and the Corporate Vice President of Natural Interactive Services Division of Microsoft Corporation, a company listed on NASDAQ (stock code: MSFT), from 1998 to 2005, where he acted as the Dean of Microsoft Research Asia, which was established in 1998 and one of the world's top research labs which nurtured a large number of top AI talents; the President in Greater China Region of Google Inc., a company listed on NASDAQ (stock code: GOOG), from 2005 to 2009; and the Chairman and Chief Executive Officer of Sinovation Ventures Group, a leading venture capital firm, since 2009. Dr. Kai-Fu Lee is the Co-Chair of Artificial Intelligence Council for World Economic Forum Center for the Fourth Industrial Revolution and recognized as Times 100 in 2013.

Dr. Kai-Fu Lee served as an independent non-executive director of Shangri-La Asia Limited (香格里拉(亞洲)有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 069) from November 2015 to June 2019; an independent director of LightInTheBox Holding Co., Ltd., a company listed on the New York Stock Exchange (stock code: LITB) from June 2013 to July 2019; an independent non-executive director of Hon Hai Precision Industry Co., Ltd., a company listed on the Taiwan Stock Exchange (stock code: 2317) from July 2016 to June 2019; a non-executive director of Meitu, Inc. (美圖公司), a company listed on the Hong Kong Stock Exchange (stock code: 1357) since August 2016; and an independent non-executive director of Fosun International Limited (復星國際有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 656) since March 2017.

Dr. Kai-Fu Lee obtained his bachelor's degree in computer science from Columbia University in New York, the United States in June 1983, and his doctor's degree in computer science from Carnegie Mellon University in Pennsylvania, the United States in April 1988.

**Mr. Wang Hua (汪華)**, aged 44, has served as a non-executive Director since February 2018. Mr. Wang served as the General Manager of Shanghai Yinda Technology Industry Co., Ltd. (上海音達科技事業有限公司) from December 2001 to August 2004; the Strategic Partner and Development

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Manager in Google Information Technology (China) Co., Ltd. (谷歌信息技術(中國)有限公司) from September 2006 to October 2009; and a partner of Sinovation Ventures Group since October 2009. He has served as an independent non-executive director of Maoyan Entertainment (貓眼娛樂), a company listed on the Hong Kong Stock Exchange (stock code: 1896) since January 2019.

Mr. Wang obtained his master's degree in business administration from Stanford University in California, the United States in June 2006.

**Mr. Zhou Wei (周偉)**, aged 33, has served as a non-executive Director since February 2019. Mr. Zhou successively served as an analyst, an associate and a senior associate of China International Capital Corporation Limited from July 2010 to June 2015; and successively acting as an assistant vice president, a vice president and a senior vice president of CICC ALPHA (Beijing) Investment Fund Management Co., Ltd. (中金甲子(北京)投資基金管理有限公司) (“CICC ALPHA”) from July 2015 to December 2019. Mr. Zhou was a founding member of CICC ALPHA and has been a member of its investment committee and the Executive General Manager since January 2020.

Mr. Zhou obtained his bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in Beijing, the PRC in July 2007, and his master's degree in software engineering from Peking University in Beijing, the PRC in July 2010.

### Independent Non-executive Directors

**Mr. Xie Deren (謝德仁)**, aged 50, has served as an independent non-executive Director since May 2021. Mr. Xie successively served as a lecturer and an associate professor, and served as a professor since December 2005, in the School of Economics and Management, Tsinghua University (清華大學經濟管理學院). Mr. Xie is a council member of Accounting Society of China (中國會計學會) and a reviewer of several academic journals in the field of economics and management since August 2016. He was a member of the 17<sup>th</sup> Issuance Review Committee of the China Securities Regulatory Commission (中國證監會發行審核委員會) responsible for reviewing the listing application of PRC applicants and assessing their financial performance and suitability of listing from September 2017 to February 2019. He is also a member of the Advisory Committee for Enterprises Accounting Standards of the Ministry of Finance (財政部) since August 2016.

Mr. Xie has been serving as an independent non-executive director, and the Chairman of the audit committee and remuneration committee of HengTai Securities Co., Ltd. (恒泰證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1476) since February 2020; and an independent non-executive director, the chairman of audit committee and a member of remuneration committee of Xiamen Bank Co., Ltd. (廈門銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601187) since January 2021. He also served as an independent non-executive director of Liaoning Chengda Co., Ltd. (遼寧成大股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600739) from August 2021 to November 2021; an independent non-executive director of Beyondsoft Corporation (博彥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002649) from December 2013 to December 2019; and an independent non-executive director of Longshine Technology Co., Ltd. (朗新科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300682) from December 2013 to December 2019.

Mr. Xie obtained his bachelor's degree and doctor's degree in accounting from Xiamen University (廈門大學) in Xiamen, the PRC in July 1993 and July 1998, respectively.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Ms. Ko Wing Yan Samantha (高穎欣)**, aged 42, has served as an independent non-executive Director since May 2021. Ms. Ko served as an associate in London office of J.P. Morgan from January 2003 to June 2005; an associate in Hong Kong office of Morgan Stanley from August 2005 to August 2006; a director in global market – structured credit and fund solutions department of HSBC from September 2006 to July 2009; an executive director of Yunfeng Financial Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 376) from August 2011 to November 2015; an executive director of BOE Varitronix Limited since October 2014; an executive director of Cityneon Holdings Limited, a company previously listed on the Singapore Exchange Limited (stock code: 5HJ) since April 2019; and a consultant of BC Technology Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 863) since 2020.

Ms. Ko obtained her bachelor's degree in economics and mathematics from Mount Holyoke College in Massachusetts, the United States in May 2001, and her master's degree in finance from Imperial College London in London, England in November 2002.

**Ms. Jin Keyu (金刻羽)**, aged 39, has served as our independent non-executive Director since November 2021. Ms. Jin served as an assistant professor from September 2009 to October 2013, and an associate professor since October 2013 in London School of Economics. She has served as a tenured professor since 2011 in London School of Economics. Ms. Jin has served as a non-executive director of Compagnie Financière Richemont SA, a company listed on the Johannesburg Stock Exchange (stock code: CFR) since September 2017.

Ms. Jin obtained her bachelor's degree in economics and doctorate's degree in economics from Harvard University in Massachusetts, the United States in July 2004 and July 2009, respectively.

### SUPERVISORS

**Ms. Lin Ying (林鶯)**, aged 42, has served as a Supervisor since February 2018. Ms. Lin served as a director and the Legal Head of Sinovation Ventures Group since 2011.

Ms. Lin obtained her bachelor's degree in economics, master's degree in law and doctor's degree in law from University of International Business and Economics (對外經濟貿易大學) in Beijing, the PRC in July 2002, June 2005 and October 2015, respectively.

**Mr. Gu Xuan Richard**, aged 51, has served as a supervisor since May 2021. Mr. Gu served as the Country Manager and Head of Consulting Operations in Greater China of HCL from January 2009; the Head of service department of SAP China from July 2011; the Managing Director of Chengwei Capital since April 2014.

Mr. Gu obtained his bachelor's degree in computer and information science from Missouri State University in Missouri, the United States in December 1993.

**Mr. Nie Mingming (聶明銘)**, aged 25, has served as an employee representative supervisor since May 2021. Mr. Nie served as a data engineer in Sinovation Ventures (Nanjing) Technology Co., Ltd. (南京創新工場科技有限公司) from July 2018 to January 2020. He served as a sales manager of AInnovation (Nanjing) Technology Co., Ltd. (創新奇智(南京)科技有限公司) from January 2020 to April 2021, and a delivery engineer of our Company since May 2021.

Mr. Nie obtained his bachelor's degree of international economy and trading from Hubei University of Education (湖北第二師範學院) in Hubei, the PRC in June 2018.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Saved as disclosed above, there is no additional information with respect to the appointment of Directors and Supervisors that needs to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

### SENIOR MANAGEMENT

**Mr. Xu Hui (徐輝)** is our Chief Executive Officer. For the biographical details of Mr. Xu Hui, see “— Directors — Executive Director”.

**Mr. He Tao (何濤)**, aged 51, has served as the general manager for Western China since April 2018 and our Chief Revenue Officer since May 2021. Mr. He has more than 20 years of experience in management, including eight years of AI-related management experience. He successively held several positions of Wanda Group (萬達集團) including the General Manager of Fuzhou branch of Wanda Department Stores (萬達百貨) from July 2007 to May 2013; General Manager for Sichuan and Chongqing branches of Shanghai Red Star Macalline Business Management (Group) Co., Ltd. (上海紅星美凱龍商業管理(集團)有限公司) from June 2013 to July 2015 where he introduced the O2O business model and digitalized marketing tools; the General Manager of Chongqing Zhida Tianya Business Management Co., Ltd. (重慶智達天雅商業管理有限公司) from August 2015 to January 2017; the General Manager of Southern China of Wanda Information Technology Co., Ltd. (萬達網絡科技有限公司) from March 2017 to March 2018 where he led the digitalized upgrading of offline retail stores.

Mr. He obtained his bachelor’s degree in Russian from Sichuan International Studies University (四川外國語大學) in Sichuan, the PRC in July 1994, and completed the master courses in industrial information and enterprise management from Sichuan Academy of Social Sciences (四川省社會科學院) in Sichuan, the PRC in August 1997.

**Mr. Zhang Fa’en (張發恩)**, aged 40, has served as our Chief Technology Officer since May 2018. Mr. Zhang has approximately 15 years of experience in software, big-data, machine-learning and deep-learning technology research, development and management, including serving as a software development engineer in Microsoft China (微軟中國有限公司) from July 2008; a TechLead responsible for main projects of Google Maps, Google Search and Google Knowledge Graph in Google Information Technology (China) Co., Ltd. (谷歌信息技術(中國)有限公司) from December 2010 to December 2015; and the Technical-Committee-Chairman and the Chief-Architect of Baidu AI Cloud in Baidu China (百度在線網絡技術(北京)有限公司) from December 2015 to May 2018, where he led the development of a series of AI services and platforms, including Baidu Recommender System, Baidu ABC Appliance, Baidu BDL (Deep Learning Platform), Baidu Message System and Baidu MapReduce. He is currently an Honorary Professor of University of Nottingham Ningbo China (寧波諾丁漢大學).

Mr. Zhang obtained his bachelor’s degree in software engineering from Jilin University (吉林大學) in Jilin, the PRC in July 2005, and his master’s degree in computer software and theory in Institute of Software Chinese Academy of Sciences (中國科學院軟件研究所, ISCAS) in Beijing, the PRC in July 2008.

**Mr. Cao John (曹鈞)**, aged 49, has served as our Chief Financial Officer since May 2021. Mr. Cao has more than 20 years of experience in finance and technology industry, including Investment Banking at Morgan Stanley from May 2006 to December 2008, Barclays Capital from April 2009 to September 2014, and UBS from September 2016 to September 2018. Before joining our



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Group, he served as the Chief Financial Officer, and later a consultant, of Shanghai Zhaoyou Information Technology Co., Ltd. (上海找油信息科技有限公司) from December 2019 to March 2021.

Mr. Cao obtained his MBA from the Wharton School of the University of Pennsylvania in Pennsylvania, the United States in May 2005.

**Mr. Xiao Lei (肖磊)**, aged 33, has served as the director of investment and finance since January 2020, the Secretary of the Board since May 2021 and a Joint Company Secretary since June 2021. Mr. Xiao served as a legal consultant of COFCO Land Management Co, Ltd. (中糧置地管理有限公司) from July 2012 to April 2014; and holding several positions including the Deputy General Manager and General Manager of the legal department, the Secretary to the board, the General Manager of the investment banking department, and the Deputy General Manager of Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. (首泰金信(北京)股權投資基金管理股份有限公司) from May 2014 to January 2020.

Mr. Xiao obtained his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC in June 2009, and his master's degree in civil and commercial law from China University of Political Science and Law in June 2012.

### JOINT COMPANY SECRETARIES

**Mr. Xiao Lei (肖磊)** has served as our Joint Company Secretary since June 2021. For the biographical details of Mr. Xiao Lei, see “— Senior Management”.

**Ms. Lam Nim Chi (林念慈)**, aged 31, has served as our Joint Company Secretary since June 2021. Ms. Lam possesses more than 9 years of experience in the company secretary profession. She is a manager of Corporate Services of Tricor Services Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. She currently serves a joint company secretary of Shinelong Automotive Lightweight Application Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1930). She obtained her bachelor's degree in business administration in international business (Japan studies) from City University of Hong Kong in July 2012. Ms. Lam is a Chartered Secretary, a Chartered Corporate Governance Professional, an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

### COMPETING INTERESTS

As of the Latest Practicable Date, none of our Directors (other than our independent non-executive Directors) had interests in business, which competes or is likely to compete, either directly or indirectly with our business.

### BOARD COMMITTEES

Our Company has established three Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Audit Committee**

We have established an audit committee (the “**Audit Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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consists of three members, including two independent non-executive Directors, namely Mr. Xie Deren and Ms. Ko Wing Yan Samantha, and one non-executive Director, namely Mr. Wang Hua. Mr. Xie Deren currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are as follows:

- (i) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
- (ii) to review the financial information and relevant disclosures of the Company;
- (iii) to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
- (iv) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;
- (v) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
- (vi) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
- (vii) to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and
- (viii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

### **Remuneration Committee**

We have established a remuneration committee (the “**Remuneration Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, including two independent non-executive Directors, namely Ms. Ko Wing Yan Samantha and Mr. Xie Deren, and one non-executive Director, namely Mr. Zhou Wei. Ms. Ko Wing Yan Samantha currently serves as the chairwoman of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

- (i) to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and
- (ii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Nomination Committee

We have established a nomination committee (the “**Nomination Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, including two independent non-executive Directors, namely Ms. Jin Keyu and Ms. Ko Wing Yan Samantha, and one non-executive Director, namely Dr. Kai-Fu Lee. Dr. Kai-Fu Lee currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

- (i) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
- (ii) to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;
- (iii) to preliminarily examine the eligibility of candidates for Directors and senior management;
- (iv) to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and
- (v) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

### BOARD DIVERSITY POLICY

Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consists of two female Directors and five male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Board is of the view that our Board satisfies our board diversity policy. After the Listing, we will strive to keep gender balance of the Board through measures implemented by our Nomination Committee in accordance with our board diversity policy. In particular, we will keep identifying and selecting female individuals with a diverse range of skills, experience and knowledge in different fields who are suitably qualified to become our Board members and maintain at least one female Director and at least 10% female representations in our Board.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **REMUNERATION OF DIRECTORS AND SUPERVISORS**

The Directors, Supervisors and senior management members receive remuneration in the forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and other benefits in kind.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and discretionary bonuses) and other benefits in kind paid to our Directors and Supervisors for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 were approximately RMB14,360,000, RMB40,489,000, RMB93,452,000 and RMB61,604,000, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Group to our Directors and Supervisors for the financial year ending December 31, 2022 is expected to be approximately RMB3.2 million.

The aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) paid to the five highest-paid individuals of our Group for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 were approximately RMB21,196,000, RMB46,045,000, RMB114,459,000 and RMB153,765,000, respectively.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payments paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

### **EMPLOYEE INCENTIVE SCHEME**

We adopted the Employee Incentive Scheme in order to incentivize our Directors, senior management and other employees for their contribution to the Group and to retain suitable personnel in our Group. For further details, see “Appendix VII — Statutory and General Information — D. Employee Incentive Scheme”.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules after the Listing.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon the Listing pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. The material terms of the compliance advisor’s agreement are as follows:

- (i) Somerley Capital Limited shall act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) the Compliance Adviser will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;
- (iii) the Compliance Adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to the Company; and
- (iv) the Compliance Adviser will act as our additional channel of communication of the Company with the Hong Kong Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, 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:

Name of shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage	Number	Percentage
Sinovation Ventures <sup>(1)</sup>	Beneficial interest	154,440,000	30.01%	154,440,000	27.61%
Sinovation Ventures Yucheng <sup>(1)</sup>	Beneficial interest	154,440,000	30.01%	154,440,000	27.61%
Mr. Wang Hua <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	30.01%	154,440,000	27.61%
Ms. Tao Ning <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	30.01%	154,440,000	27.61%
Ms. Lang Chunhui <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	30.01%	154,440,000	27.61%
Mr. Zhang Ying <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	30.01%	154,440,000	27.61%
Mr. Xu Hui <sup>(2)</sup>	Beneficial interest	47,581,290	9.25%	47,581,290	8.51%
	Interest in controlled corporation	9,503,712	1.85%	9,503,712	1.70%
SVF II Zeal	Beneficial interest	36,640,530	7.12%	39,826,630	7.12%
Xinhui Zhiqi Technology Co, Ltd. (青島新輝智奇科技有限公司) (“Xinhui Zhiqi”)	Interest in controlled corporation	47,097,864	9.15%	47,097,864	8.42%
Mr. Lu Yiming	Interest in controlled corporation	47,097,864	9.15%	47,097,864	8.42%
Xinnuo Zhiqi <sup>(4)</sup>	Beneficial interest	38,291,634	7.44%	38,291,634	6.85%
Qingdao Xinnuo Zhihe Technology Co., Ltd. (青島新諾智合科技有限公司) (“Xinnuo Zhihe”) <sup>(4)</sup>	Interest in controlled corporation	38,291,634	7.44%	38,291,634	6.85%



## SUBSTANTIAL SHAREHOLDERS

<u>Name of shareholder</u>	<u>Nature of interest</u>	<u>Shares held as of the Latest Practicable Date</u>		<u>Shares held following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)</u>	
		<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Mr. He Tao <sup>(4)</sup> .....	Interest in controlled corporation	38,291,634	7.44%	38,291,634	6.85%
China International Capital Corporation Limited (“CICC”) <sup>(5)</sup> .....	Interest in controlled corporation	85,968,684	16.71%	85,968,684	15.37%

*Note:*

- (1) As of the Latest Practicable Date, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Sinovation Ventures and Sinovation Ventures Yucheng are collectively controlled by Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying pursuant to a concert party agreement among themselves. Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning, have been acting in concert and will continue to act in concert in the Company’s Shareholders meetings and board meetings pursuant to a concert party agreement among themselves. As a result, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying form our Single Largest Shareholders Group. As such, each of Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Group of Shareholders.
- (2) As of the Latest Practicable Date, Innovation Zhicheng held 6,621,912 Shares in our Company and is beneficially owned by Mr. Xu Hui. Therefore, Mr. Xu Hui is deemed to be interested in the 6,621,912 Shares held by Innovation Zhicheng for purpose of Part XV of the SFO. Qingdao Xinda held 2,881,800 Shares in our Company, whose general partner is Qingdao Xinnuo Zhicheng Technology Co., Ltd. (青島新諾智成科技有限公司) (“**Qingdao Xinnuo**”), which is wholly owned by Mr. Xu Hui. Therefore, each of Qingdao Xinnuo and Mr. Xu Hui is deemed to be interested in the 2,881,800 Shares held by Qingdao Xinda for the purpose of Part XV of the SFO.
- (3) As of the Latest Practicable Date, Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun, our Employee Incentive Platforms, collectively directly held 47,097,864 Shares in our Company whose general partner is Xinhui Zhiqi, which is wholly owned by Mr. Lu Yiming. Therefore, each of Xinhui Zhiqi and Mr. Lu Yiming is deemed to be interested in the 47,097,864 Shares held by Qingdao Xinhui, Qingdao Xinqi and Qingdao Xinyun for purpose of Part XV of the SFO.
- (4) As of the Latest Practicable Date, Xinnuo Zhiqi directly held 38,291,634 Shares in our Company whose general partner is Xinnuo Zhihe, which is wholly owned by Mr. He Tao. Therefore, each of Xinnuo Zhihe and Mr. He Tao is deemed to be interested in the 38,291,634 Shares held by Xinnuo Zhiqi for purpose of Part XV of the SFO.
- (5) As of the Latest Practicable Date, Hongxi Investment, Hongyue Investment and Honger Investment held 23,824,026, 17,751,924 and 17,751,312 Shares in our Company, respectively. Zhongjin Xicheng (Beijing) Investment Co., Ltd. (仲金熙誠(北京)投資有限公司) (“**Zhongjin Xicheng**”) is the general partner for each of Hongxi Investment, Hongyue Investment and Honger Investment, meanwhile Beijing Financial Street Xicheng Equity Investment Fund (Limited Partnership) (北京金融街熙誠股權投資基金(有限合夥)) (“**Xicheng Fund**”) is their sole limited partner with almost 100% of partnership interest whose administrator is CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司) (“**CICC ALPHA**”). CICC ALPHA is held as to 51% by CICC Capital Management Co., Ltd. (中金資本運營公司) (“**CICC Capital**”), which is wholly owned by CICC. Therefore, each of Xicheng Fund, CICC ALPHA, CICC Capital and CICC is deemed to be interested in 23,824,026, 17,751,924 and 17,751,312 Shares held by Hongxi Investment, Hongyue Investment and Honger Investment, respectively. As of the Latest Practicable Date, Chuangzhi Fund held 26,641,422 Shares in our Company whose administrator and general partner is CICC ALPHA. CICC ALPHA is held as to 51% by CICC Capital, which is wholly owned by CICC. Therefore, each of CICC ALPHA, CICC Capital and CICC is deemed to be interested in 26,641,422 Shares held by Chuangzhi Fund.
- (6) Pursuant to the Anti-Dilution Arrangement (as defined below), SVF II Zeal agreed to subscribe for 3,186,100 H Shares, so as to maintain its 7.12% shareholding interest in our Company upon the completion of the Global Offering (on a fully-diluted basis and on the basis that the Over-allotment Option has not been exercised).

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## SHARE CAPITAL

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### OUR SHARE CAPITAL

#### Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of our Company was RMB514,560,438, with a nominal value of RMB1.00 each.

#### Upon the Completion of the Global Offering

Immediately after the Global Offering and Conversion of Domestic Shares and Unlisted Foreign Shares into H Shares (assuming that the Over-allotment Option is not exercised), the share capital of the Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
H Shares to be converted from Domestic Shares . . . . .	477,919,908	85.45%
H Shares to be converted from Unlisted Foreign Shares . . . . .	36,640,530	6.55%
H Shares to be issued pursuant to the Global Offering . . . . .	44,744,400	8.00%
<b>Total</b> . . . . .	<b>559,304,838</b>	<b>100.0%</b>

Immediately after the Global Offering and Conversion of Domestic Shares and Unlisted Foreign Shares into H Shares (assuming that the Over-allotment Option is fully exercised), the share capital of the Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
H Shares to be converted from Domestic Shares . . . . .	477,919,908	84.44%
H Shares to be converted from Unlisted Foreign Shares . . . . .	36,640,530	6.47%
H Shares to be issued pursuant to the Global Offering . . . . .	51,456,000	9.09%
<b>Total</b> . . . . .	<b>566,016,438</b>	<b>100.0%</b>

### CONVERSION OF DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

If any of the Domestic Shares and the Unlisted Foreign Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

#### Listing Review and Approval by the CSRC

In accordance with the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境内未上市股份申请「全流通」业务指引》) announced by the CSRC, H-share listed companies which apply for the conversion of domestic shares and unlisted foreign shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of overseas shares by a joint stock company”. An H-share listed company may apply for a “Full Circulation” separately or when applying for refinancing overseas. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering.

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## SHARE CAPITAL

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We have applied to the CSRC for, and the CSRC has approved the conversion of 477,919,908 Domestic Shares and 36,640,530 Unlisted Foreign Shares into H Shares on a one-for-one basis upon the completion of the Global Offering on November 10, 2021.

### **Listing Approval by the Hong Kong Stock Exchange**

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), the H Shares to be converted from 477,919,908 Domestic Shares and 36,640,530 Unlisted Foreign Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the follow procedures for the conversion of Domestic Shares and Unlisted Foreign Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

### **RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING**

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing Date or a longer period applied to certain Shareholders. See “History and Corporate Structure – Principal Terms of the Pre-IPO Investments”. Nevertheless, the 3,186,100 H Shares to be subscribed by SVF II Zeal pursuant to the Cornerstone Investment Agreement will not be subject to such statutory restriction on transfer within one year, but will be subject to a contractual lock-up period of six (6) months. See “Cornerstone Investors – Restrictions on Disposals by the Cornerstone Investors”.

The Company will work with the domestic securities company to be engaged by the Company to restrict the trading of the H Shares converted from unlisted Shares technically within the above period after the Listing.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED**

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or capital redemption reserve. See “Appendix VI – Summary of the Articles of Association” in this prospectus.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (“**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (“**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 that may be purchased with an aggregate amount of (i) HK\$200,809,430 assuming an Offer Price of HK\$26.30 (being the low-end of the indicative Offer Price range set out in this prospectus); (ii) HK\$202,402,480 assuming an Offer Price of HK\$26.80 (being the mid-end of the indicative Offer Price range set out in this prospectus); or (iii) HK\$203,995,530 assuming an Offer Price of HK\$27.30 (being the high-end of the indicative Offer Price range set out in this prospectus) (exclusive of the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$26.30 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 7,635,300 Offer Shares, representing approximately 17.06% of the Offer Shares and approximately 1.37% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$26.80 per Offer Share, being the mid-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 7,552,300 Offer Shares, representing approximately 16.88% of the Offer Shares and approximately 1.35% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$27.30 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 7,472,300 Offer Shares, representing approximately 16.70% of the Offer Shares and approximately 1.34% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience and market position, the Cornerstone Placing will help to promote our resource integration capability and create synergy in the industry, to raise the profile of our Company, and to signify that such investors have confidence in our Company’s business and prospect. Except for SVF II Zeal being one of our Pre-IPO Investors, our Company became acquainted with each of the Cornerstone Investors through introduction by certain Underwriters in the Global Offering.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire 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 respects with the other fully paid H Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

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## CORNERSTONE INVESTORS

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Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of Cornerstone Investors (i) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), (ii) is independent of other Cornerstone Investors, (iii) is not financed by our Company, our subsidiaries, our Directors, chief executive, existing Shareholders (except for SVF II Zeal which is our existing Shareholder) or their respective close associates, and (iv) is not accustomed to taking instructions from our Company, our subsidiaries, our Directors, chief executive, existing Shareholders (except for SVF II Zeal which is our existing Shareholder) or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in their name or otherwise held by them. There are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources or the proprietary funding of the funds under its management. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

SVF II Zeal is one of our Shareholders holding 7.12% of our total issued share capital as of the Latest Practicable Date. We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares to SVF II Zeal. Please see the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Consent in relation to Subscription of the Offer Shares by SVF II Zeal”.

Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around January 26, 2022. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of all or part of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares no later than 8 a.m. on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. There will be no deferred settlement of Offer Shares to the Cornerstone Investors for the settlement of over-allocation in the International Offering. For details of the Over-allotment Option, see “Structure of the Global Offering — Over-allotment Option”.

## CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

		Based on an Offer Price of HK\$26.30 (being the low-end of the Offer Price range)				
Cornerstone Investor	Subscription amount	Number of Offer Shares <sup>(1)</sup>	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>	Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>
SVF II Zeal . . . . .	HK\$83,794,430	3,186,100	7.12%	0.57%	6.19%	0.56%
Laurion Capital Master Fund <sup>(3)</sup> . . . . .	US\$15,000,000	4,449,200	9.94%	0.80%	8.65%	0.79%
<b>Total</b> . . . . .	<b>HK\$200,809,430</b>	<b>7,635,300</b>	<b>17.06%</b>	<b>1.37%</b>	<b>14.84%</b>	<b>1.35%</b>

		Based on an Offer Price of HK\$26.80 (being the mid-end of the Offer Price range)				
Cornerstone Investor	Subscription amount	Number of Offer Shares <sup>(1)</sup>	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>	Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>
SVF II Zeal . . . . .	HK\$85,387,480	3,186,100	7.12%	0.57%	6.19%	0.56%
Laurion Capital Master Fund <sup>(3)</sup> . . . . .	US\$15,000,000	4,366,200	9.76%	0.78%	8.49%	0.77%
<b>Total</b> . . . . .	<b>HK\$202,402,480</b>	<b>7,552,300</b>	<b>16.88%</b>	<b>1.35%</b>	<b>14.68%</b>	<b>1.33%</b>

		Based on an Offer Price of HK\$27.30 (being the high-end of the Offer Price range)				
Cornerstone Investor	Subscription amount	Number of Offer Shares <sup>(1)</sup>	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>	Approximate % of the Offer Shares	Approximate % of the issued share capital <sup>(2)</sup>
SVF II Zeal . . . . .	HK\$86,980,530	3,186,100	7.12%	0.57%	6.19%	0.56%
Laurion Capital Master Fund <sup>(3)</sup> . . . . .	US\$15,000,000	4,286,200	9.58%	0.77%	8.33%	0.76%
<b>Total</b> . . . . .	<b>HK\$203,995,530</b>	<b>7,472,300</b>	<b>16.70%</b>	<b>1.34%</b>	<b>14.52%</b>	<b>1.32%</b>

*Notes:*

- (1) Rounded down to the nearest whole board lot of 100 H Shares.
- (2) Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.
- (3) The number of Offer Shares to be subscribed by Laurion Capital Master Fund as shown in this table is calculated with reference to the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering." The final number of Offer Shares to be subscribed by Laurion Capital Master Fund shall be equal to (i) Hong Kong dollar equivalent of US\$15,000,000 (calculated using the closing Hong Kong dollar: US dollar exchange rate quoted by Bloomberg at 6:00 p.m. (Hong Kong time) on the business day immediately prior to the date on which the Offer Price is determined (excluding Brokerage and the Levies which the Investor will pay in respect of the Investor Shares) by the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering) divided by (ii) the Offer Price, rounded down to the nearest whole board lot of 100 H Shares.

### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.



## **1. SVF II ZEAL**

SoftBank Group Corp. (“**SoftBank Group**”) (TYO: 9984), is a Japanese corporation listed on the Tokyo Stock Exchange with operations in broadband, mobile and fixed-line telecommunications, e-commerce, Internet, technology services, media and marketing, and other businesses. SoftBank Vision Fund II-2 L.P. (“**Vision Fund**”), established in Jersey as a limited partnership, is an investment fund that focuses on investments in the global technology industry with total commitments of US\$51 billion as of October 21, 2021. Its general partner is SVF II GP (Jersey) Limited, a company incorporated in Jersey and a wholly-owned subsidiary of SoftBank Group. SVF II Zeal is a special purpose vehicle indirectly majority owned by Vision Fund.

## **2. Laurion Capital Master Fund**

Laurion Capital Master Fund Ltd. (“**Laurion Capital Master Fund**”) is an exempted company formed under the laws of the Cayman Islands and operating as a private investment fund. Laurion Capital Management LP (“**Laurion Capital**”) serves as the investment manager to Laurion Capital Master Fund. As of September 30, 2021, Laurion Capital had approximately US\$5.6 billion in assets under management. The fund’s investors include, among others, pensions, endowments, foundations and fund of funds. Laurion Capital Master Fund is a global multi-disciplinary fund that focuses on a wide range of strategies, including relative value, market neutral, and absolute return, that collectively seek to generate attractive returns with low correlation to traditional markets. The fund’s longstanding equity capital markets-focused strategies include investments in disruptive technologies with the potential to transform traditional industries.

## **CLOSING CONDITIONS**

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- a. the underwriting agreements for the Hong Kong Public Offering and the International Offering 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 Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- b. the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- c. the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the Offer Shares subscribed for by the Cornerstone Investors) 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 H Shares on the Stock Exchange;
- d. no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective 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
- e. the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor under the respective Cornerstone Investment Agreement are

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## CORNERSTONE INVESTORS

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accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such 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 (6) months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries, an affiliated fund under common management or control with the relevant Cornerstone Investor or a fund or an account which investments are managed by the investment manager of the relevant Cornerstone Investor or an investment manager under common management or control with the relevant Cornerstone Investor’s investment manager or affiliate, who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from GAAP in other jurisdictions, including the United States.*

*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."*

*For the purpose of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to the period from February 6, 2018 to December 31, 2018 and our financial years ended December 31, 2019 and 2020. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are a fast-growing enterprise AI solutions provider in China. Leveraging our research capabilities in deep learning, we have developed proprietary computer vision and machine learning AI technologies to empower businesses in China. Through integration of AI technologies with our industry insights, we offer full-stack AI-based products and solutions, which consists of AI platforms, algorithms, software and AI-empowered devices, to enable businesses to reduce costs, improve operational efficiency, and optimize decision-making through intelligent transformation of their business operations and information management.

In less than three years since our inception, we have established our brand in enterprise AI solutions industry in China. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in enterprise AI solution market in China in terms of revenue; and the largest AI technology driven solution provider in China's AI solutions market in manufacturing industry in terms of revenue. We have built upon our industry insights to develop AI technologies and deliver AI-based products and solutions for the manufacturing, financial services and other industries in China, which in turn enhance our competitiveness and strengthen our market position.

We have experienced robust growth during the Track Record Period. Our revenue increased from RMB37.2 million in 2018 to RMB229.1 million in 2019 and further increased to RMB462.3 million in 2020, representing a CAGR of 252.5% from 2018 to 2020. Our revenue increased from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021. Our gross profit increased from RMB23.4 million in 2018 to RMB71.6 million in 2019 and further increased to RMB134.6 million in 2020, representing a CAGR of 139.8% from 2018 to 2020. Our gross profit increased from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021. In

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## FINANCIAL INFORMATION

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2018, 2019, 2020 and the nine months ended September 30, 2021, we recorded net losses of RMB71.2 million, RMB248.4 million, RMB360.6 million and RMB438.0 million respectively. Eliminating impact of items including share-based payment expenses, finance cost of financial liabilities of redeemable shares and listing expenses, we generated an adjusted net loss of RMB45.4 million, RMB160.0 million, RMB144.5 million and RMB81.0 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Adjusted net loss is a non-IFRS measure. See “– Non-IFRS Measure” for more details.

### **BASIS OF PRESENTATION**

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 and financial liabilities at fair value through profit or loss, 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 judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement 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.

### **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:

#### **Economic and AI Industry Trends in China**

Our business and results of operations are affected by general factors affecting the industries we operate in. Such general factors include China’s overall economic growth, the increasing labor costs and the application of AI-based products and solutions in various industries. New commercial applications of AI technologies are expected to emerge to improve user experience and operational efficiency in various industries. In addition, our business and results of operations are also affected by government policies and regulations applicable to our industries. For example, the PRC government has supported, and is expected to continue to support, the development of AI technologies. In October 2017, the report of the 19th National Congress of the Communist Party of China has highlighted the goal of “accelerating the construction of manufacturing and the development of advanced manufacturing, and promoting the deep integration of the Internet, big data, AI and the real economy”. In April 2020, the NDRC defined the scope of “New Infrastructure” for the first time and included AI in the important layout of new infrastructure. According to Frost & Sullivan, in 2020, we were the third largest AI technology driven solution provider in enterprise AI solution market in China in terms of revenue, as well as the largest AI technology driven solution provider in China’s AI solution market in manufacturing industry in terms of revenue. We believe we are well positioned to benefit from such industry trends and national macroeconomic policy.

#### **Our Ability to Enhance AI Technological Capabilities**

Our technological capabilities are crucial to our business operations. In the past years, we have made significant investments in our R&D activities as we continued to develop AI platforms and provide innovative AI-based products and solutions, as a result, R&D expenses accounted for a

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significant portion of our total costs and expenses. Our research and development expenses increased from RMB28.7 million in 2018 to RMB113.3 million in 2019, and further increased to RMB181.5 million in 2020. Our R&D expenses increased from RMB114.4 million in the nine months ended September 30, 2020 to RMB176.5 million in the nine months ended September 30, 2021. We believe that our continued investments in technological advancements have enabled us to make AI technological innovations and establish our positions in the verticals we operate in. Going forward, we plan to continue to further improve our technological capabilities and expect our R&D expenses to further increase in absolute amount. We will continue to invest in the development of deep learning and computer vision technologies and in the recruitment and retention of AI talents and industry experts to strengthen our innovation and research capabilities. We will also continue to enhance our technological capabilities to develop new AI technologies, design new AI-based products and solutions and enhance existing AI-based products and solutions, strengthen our competitiveness over emerging enterprise AI solution providers and offer better full-stack solutions. We expect our strategic focus on innovations will further reinforce our competitive edge and enable us to capture additional market shares, which in turn will enable us to further increase our revenue and strengthen our financial performance.

### **Our Ability to Attract New Customers, as well as Retain and Deepen Relationships with Existing Ones**

Our customers are primarily enterprises in manufacturing, financial services and other industries as well as system integrators who represent the aforesaid enterprises. See “Business—Customers” for details. Our growth depends significantly on our ability to attract new customers and retain and expand relationship with existing ones. The growth in our customer base is a key driver of our revenue growth. We have amassed a large and diversified customer base that includes, among others, iron and steel metallurgy companies, energy and power companies, automotive equipment manufacturers, insurance companies and commercial banks as of the Latest Practicable Date. Our number of total customers increased from 50 in 2018 to 157 in 2020, and increased from 111 in the nine months ended September 30, 2020 and 130 in the nine months ended September 30, 2021. The number of our premium customers increased from 13 in 2019 to 23 in 2020. The number of our customers in the manufacturing industry increased from 16 in 2018 to 93 in 2020, and increased from 66 in the nine months ended September 30, 2020 and 71 in the nine months ended September 30, 2021. The number of our customers in the financial services industry increased from two in 2018 to 18 in 2020, and remained stable at 12 in the nine months ended September 30, 2020 and 12 in the nine months ended September 30, 2021.

Our success in attracting new customers will also depend on our effective go-to-market strategy. Our go-to-market strategy has been to establish engagements with industry leaders across multiple industries as well as rely on our joint ventures established with our business partners to quickly penetrate into market. We intend to grow the business we do with our customers and business partners and to add more customers and business partners as we expand the business in multiple verticals in manufacturing and financial services industries. We have fostered loyalty of existing customers as a result of the significant business values for manufacturing, financial services and other industries offered by our full-stack AI-based products and solutions effectively addressing their needs. We aim to acquire and retain new customers by, among others, further enhancing the quality and efficiency of our existing AI-based products and solutions, offering additional innovative AI-based products and solutions and implementing effective sales strategies tailored to the industries in which we serve.

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### **Our Product and Solution Offerings**

We offer full-stack AI-based products and solutions to customers in manufacturing, financial services and other industries to help them realize intelligent transformation of their business operations and information management. Our revenue grew significantly during the Track Record Period primarily due to our increasing penetration in our premium customers and in these verticals and the expansion of our AI-based product and solution offerings. Furthermore, as we improved the breadth and quality of our AI-based products and solutions and enhanced our brand recognition, we were able to develop and offer more customized AI-based products and solutions according to customers' requirements as well as to increase our market shares during the Track Record Period. Our future success is significantly dependent on our ability to further expanding the scope of our AI-based product and solution offerings and by improving the quality and efficiency of our existing AI-based products and solutions.

### **Our Ability to Manage Our Costs and Improve Operational Efficiency**

Our profitability depends partly on our ability to manage and optimize our costs and operating expenses. As a percentage of our total revenues, our selling and distribution expenses, general and administrative expenses as well as R&D expenses decreased from 2018 to the nine months ended September 30, 2021. Our selling and distribution expenses accounted for 55.6%, 33.2%, 13.1% and 16.5% of our revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Our general and administrative expenses accounted for 133.6%, 55.4%, 42.2% and 56.3% of our revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. Our R&D expenses accounted for 77.1%, 49.4%, 39.3% and 31.9% of our revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. We expect the absolute amounts of our selling and distribution expenses, general and administrative expenses as well as R&D expenses will continue to increase along our business growth in the future. However, as we expand the scale and scope of our business and AI-based product and service offerings, we expect to benefit from various economies of scale to improve our operational efficiency.

### **Preferential Tax Treatments**

Our income tax expense was affected by the preferential tax treatments enjoyed by certain of our PRC subsidiaries. AIInnovation (Beijing) Technology Co., Ltd. had been recognized as a High New Tech Enterprise in 2019. AIInnovation (Guangzhou) Technology Co., Ltd., Hefei AIInnovation and AIInnovation (Chongqing) Technology Co., Ltd. had been recognized as High New Tech Enterprises in 2020. These companies enjoyed a preferential income tax rate of 15% from the recognition of National High and New Technology Enterprises policy during the Track Record Period.

### **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. In response to COVID-19, including the recent recurrence of COVID-19 around the end of 2020 in China, the PRC government has imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures. These measures have caused a decline in the business activities in the manufacturing and retail industries, which in turn has had a negative impact on the demand for our AI-based products and solutions in 2020 and our results of operations in the second half of 2020.



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COVID-19 has caused temporary disruptions to our business operations to varying degrees. The travel restriction in the first half of 2020 has temporarily prevented us from engaging with customers through in-person meetings, especially with customers of our AI-based products and solutions applied in manufacturing industry, many of whom are large and established enterprises which tend to implement more stringent COVID-19-related measures than other businesses. The pandemic has caused temporary disruption to our AI-based products and solutions applied in manufacturing and financial services industries to the extent that necessary on-premise deployment, on-site meetings and technical support had to be delayed or canceled. In addition, we have experienced a temporary decrease in the demand for our AI-based products and solutions applied in retail industry, primarily due to reduced business activities of retailers.

Despite the temporary disruption caused by COVID-19, we have gradually resumed to normal since April 2020 and were able to sustain our strong growth momentum and delivered robust overall revenue growth in 2020. Our revenue increased by 101.8% from RMB229.1 million in 2019 to RMB462.3 million in 2020. Our revenue increased by 85.8% from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021. Our gross profit increased by 88.0% from RMB71.6 million in 2019 to RMB134.6 million in 2020. Our gross profit increased by 100.4% from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021. We believe that the added business value of our AI-based products and solutions, and the increased operational efficiency, accuracy, safety and reliability they delivered, are becoming more attractive against the backdrop of COVID-19 pandemic. Manufacturers and financial institutions are increasingly using our AI-based products and solutions to replace many manual tasks due to COVID-19 related restrictions. We expect this trend to continue post-pandemic, driving digitalization of business operations and the demand for quality AI solutions in the long run.

There remains significant uncertainties associated with COVID-19, including with respect to the ultimate spread of the virus, the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 pandemic presents challenges to our business and the effects of the pandemic could adversely affect our business, financial condition and results of operations” of this prospectus.

### **CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES**

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

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preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2, 3 and 4 to the Accountant's Report in Appendix I to this prospectus.

### Revenue Recognition

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

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

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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

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

The following is a description of the accounting policy for our principal revenue streams.

#### *(a) Sales of products and solutions*

We provide multiple deliverables to customers, including the design of artificial intelligence solution, delivery of products and software, and installation of products and software. It is accounted for as a single performance obligation since we provide integrated products and solutions.

The revenue of such integrated products and solutions are recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required.

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### *(b) Services of data solutions*

We provide services of data solutions to customers during a certain period. Data solutions include cloud services, and data analysis, etc.

Revenue from data solutions is accounted for as a single performance obligation and recognized when we have provided the promised relevant services. As the customer simultaneously receives and consumes the services provided by us over the period, the performance obligation is satisfied over time with reference to the customers' usage of services to the satisfaction of the performance obligation of the projects.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

### **Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants is reviewed, and adjusted if appropriate, at the end of each reporting period.

### **Intangible Assets**

#### ***Software***

Acquired software is initially capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of five years.

The amortization period and amortization method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

#### ***Research and development***

We incur significant costs and efforts on R&D activities, which include expenditures on artificial intelligence technology. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed artificial intelligence products and all the following can be demonstrated (if applicable):

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

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- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. No development costs met these criteria and were therefore capitalized as intangible assets during the Track Record Period.

### **Redeemable Shares**

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (“**Redeemable Shares**”). If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

### **Employee Benefits**

#### *Short-term obligations*

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

#### *Pension obligations*

Full-time employees in the PRC 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 retired employees. We contribute on a monthly basis to these pension plans. Under these plans, we have no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce our future obligations to such defined contribution pension plans even if the employee leaves.

#### *Housing funds, medical insurances and other social insurances*

Our employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. We contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. Our liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

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### Share-based Payments

We operate an equity-settled share-based compensation plan, under which we receive service from our employees in exchange for the equity instruments of us. As disclosed in Note 32 to the Accountant's Report in Appendix I to this prospectus, during the Track Record Period, equity-settled share options and restricted stock unit ("RSUs") were granted to certain directors, senior management, employees and consultants. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, in which all of the specified vesting conditions are to be satisfied.

At the end of each period, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in the consolidated statement of 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, we include the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is excess of the fair value of the modified equity instrument over that of the original equity instrument, both estimated as of the date of the modification. An expense based on the incremental fair value is recognized 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 recognized 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 compensation plan, 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).

The grant by our Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

### Leases

We mainly lease office and warehouse as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us. 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.

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:

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

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

- 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or our incremental borrowing rate.

To determine the incremental borrowing rate, we:

- use 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
- use a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by us, which does not have recent third-party financing, and
- make adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized 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. Low-value assets comprise small items of IT equipment.

Lease income from operating leases where we are a lessor is recognized in revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are



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added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

### **Impairment of Trade Receivables**

The loss allowance for financial assets is based on assumptions about risk of default and expected loss rate. We use judgement in making these assumptions and selecting inputs to the impairment calculation, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of our trade receivables are disclosed in Note 23 to the Accountant's Report in Appendix I to this prospectus.

### **Fair Value Estimation**

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

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

Our assets and liabilities that are measured at fair value are disclosed in Note 3.3 to the Accountant's Report in Appendix I to this prospectus.

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

Level 2 financial assets at fair value through profit or loss include structured deposits acquired from banks with interests unguaranteed. The return was linked to spot exchange rate of euro and US dollar on an agreed future day. The main inputs used by us are estimated yield rates in contracts.

Level 3 financial assets at fair value through other comprehensive income include an equity investment that are not publicly traded. The fair value is estimated by us using its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position. In connection with the equity investments, we adopt a net asset value approach to assess the fair value of this financial assets.

Level 3 financial assets at fair value through other comprehensive income also comprise bank acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned bank.

The changes in level 3 items for the years ended December 31, 2019 and 2020 and nine months ended September 30, 2020 and 2021 are disclosed in Note 3.3 to the Accountant's Report in Appendix I to this prospectus.

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### Level 3 of Fair Value Measurement

In respect of the valuation of level 3 financial assets at fair value through other comprehensive income, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 (the “**Guidance**”) applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to discount rate, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial assets that are significant, provided necessary financial to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared.

The details on the fair value measurement of the financial assets at fair value through other comprehensive income, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 3 in Appendix I to this prospectus. The Reporting Accountant performed its works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKSIR 200**”) for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-1 to I-3 of Appendix I to this prospectus.

In relation to our financial assets measured at level 3 fair value measurement (the “**Level 3 Financial Assets**”), the Joint Sponsors have conducted relevant due diligence work as follows: (i) reviewed the relevant notes in the Accountant’s Report as contained in Appendix I to this prospectus, (ii) obtained and reviewed a valuation report prepared by an independent valuer (“**Valuer**”) on the Level 3 Financial Assets; (iii) discussed with our Company and the Valuer in respect of the approach and methodology used, the information and factors considered, and the key bases and assumptions adopted for the valuation of the Level 3 Financial Assets; (iv) discussed with the Reporting Accountant about the audit procedures in relation to the fair value measurement of the Level 3 Financial Assets; (v) reviewed the credentials, qualifications and experience of the Valuer in order to assess the independence and competency of the Valuer in conducting the valuation of the Level 3 Financial Assets at fair value. Having considered the work done by our Directors, the Reporting Accountant and the Valuer and the relevant due diligence conducted as stated above, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to question the valuation of the Level 3 Financial Assets are not made with reference to the Guidance and the HKSIR 200.

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### SELECTIVE ITEMS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
				(RMB in thousands)	
<b>Revenue</b> .....	37,208	229,141	462,324	297,639	553,015
Cost of sales .....	(13,823)	(157,528)	(327,703)	(212,367)	(382,091)
<b>Gross profit</b> .....	23,385	71,613	134,621	85,272	170,924
Selling and distribution expenses .....	(20,678)	(75,965)	(60,410)	(39,216)	(91,407)
General and administrative expenses .....	(49,707)	(126,873)	(195,186)	(125,348)	(311,085)
R&D expenses .....	(28,681)	(113,296)	(181,538)	(114,391)	(176,534)
Net impairment losses on financial assets .....	(855)	(5,496)	(18,950)	(5,176)	(20,905)
Other income .....	6,856	27,125	34,952	21,650	14,421
Other gains/(losses), net .....	143	936	(290)	(425)	(1,045)
<b>Operating loss</b> .....	(69,537)	(221,956)	(286,801)	(177,634)	(415,631)
Finance costs .....	(2,587)	(35,599)	(83,111)	(53,248)	(35,324)
Finance income .....	979	9,499	9,449	6,228	15,507
<b>Loss before income tax</b> .....	(71,145)	(248,056)	(360,463)	(224,654)	(435,448)
Income tax expense .....	(29)	(303)	(172)	(8,356)	(2,571)
<b>Loss for the period/year</b> .....	<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>
<b>Loss for the period/year attributable to:</b>					
Owners of the Company .....	(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Non-controlling interests .....	(513)	(4,132)	364	1,945	(2,531)
	<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>

### NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss 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 combined results of operations in the same manner as they help our management. However, our presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss as net loss for the period/year adjusted by adding back share-based payment expenses, finance cost of financial liabilities of redeemable shares and listing expenses.

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The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net loss for the period/year:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
		(RMB in thousands)			
<b>Reconciliation of net loss to adjusted net loss</b>					
Loss for the period/year	(71,174)	(248,359)	(360,635)	(233,010)	(438,019)
Add:					
Share-based payment expenses <sup>(1)</sup>	23,339	53,230	133,750	93,691	295,585
Finance cost of financial liabilities of redeemable shares <sup>(2)</sup>	2,457	35,158	82,406	52,729	34,877
Listing expenses <sup>(3)</sup>	—	—	—	—	26,558
<b>Adjusted net loss (Unaudited)<sup>(4)</sup></b>	<u>(45,378)</u>	<u>(159,971)</u>	<u>(144,479)</u>	<u>(86,590)</u>	<u>(80,999)</u>

*Notes:*

- (1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.
- (2) Finance cost of financial liabilities of redeemable shares represents interest on our Series Angel, Series A, Series A+, Series B, Series B+ and Series C investments which is calculated according to the present value of the redemption amount. Upon the waiver of special rights (e.g. redeemable rights against our Company, liquidation preference and anti-dilution rights) on March 30, 2021, the redeemable shares in connection with such investments had been converted into equity of our Company and subsequently no interest would accrue.
- (3) Listing expenses mainly relate to the Global Offering.
- (4) A non-IFRS measure.

## DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

### Revenue

During the Track Record Period, we primarily derived revenue from sales of our AI-based products and solutions to customers in manufacturing, financial services and other industries and our customers were substantially all enterprise customers. Our AI-based products and solutions comprise mainly software and hardware integrated solutions and, to a lesser extent, software-based solutions. We substantially generated all of our revenue from the PRC during the Track Record Period.

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### *By Industry Verticals*

The table below sets forth our revenue breakdown by our AI-based products and solutions applied in industry verticals in absolute amounts and as percentages of our total revenues for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
<b>Manufacturing</b> . . . . .	<b>13,636</b>	<b>36.6</b>	<b>78,429</b>	<b>34.2</b>	<b>193,098</b>	<b>41.8</b>	<b>80,153</b>	<b>26.9</b>	<b>281,095</b>	<b>50.8</b>
Automotive equipment . . . . .	238	0.6	1,956	0.9	2,382	0.5	981	0.3	116,358	21.0
High-tech/3C . . . . .	4,140	11.1	17,491	7.6	36,504	7.9	11,403	3.8	77,846	14.1
OLED panel manufacturing . . . . .	—	—	—	—	36,527	7.9	—	—	13,539	2.4
Engineering and construction . . . . .	—	—	1,887	0.8	4,044	0.9	1,968	0.7	1,877	0.3
Iron and steel metallurgy . . . . .	—	—	5,165	2.3	31,418	6.8	188	0.1	17,354	3.1
Energy and power . . . . .	—	—	—	—	19,240	4.2	19,017	6.4	4,667	0.8
Others <sup>(1)</sup> . . . . .	9,258	24.9	51,930	22.7	62,983	13.6	46,596	15.6	49,454	9.1
<b>Financial services</b> . . . . .	<b>5,356</b>	<b>14.4</b>	<b>53,539</b>	<b>23.4</b>	<b>183,520</b>	<b>39.7</b>	<b>151,577</b>	<b>50.9</b>	<b>192,803</b>	<b>34.9</b>
Banking . . . . .	—	—	17,365	7.6	40,120	8.7	10,221	3.4	100,077	18.1
Insurance . . . . .	3,632	9.8	28,736	12.5	117,145	25.3	115,226	38.7	17,727	3.2
Others <sup>(2)</sup> . . . . .	1,724	4.6	7,438	3.2	26,255	5.7	26,130	8.8	74,999	13.6
<b>Other industries<sup>(3)</sup></b> . . . . .	<b>18,216</b>	<b>49.0</b>	<b>97,173</b>	<b>42.4</b>	<b>85,706</b>	<b>18.5</b>	<b>65,909</b>	<b>22.2</b>	<b>79,117</b>	<b>14.3</b>
<b>Total</b> . . . . .	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

*Notes:*

- (1) Others mainly include textile manufacturing, food production, communication equipment manufacturing and other verticals in manufacturing industry.
- (2) Others mainly include asset management, securities and other verticals in financial services industry.
- (3) Other industries mainly include retail and information technology industries excluding manufacturing and financial services industries.

### *Manufacturing*

Revenue from our AI-based products and solutions applied in manufacturing industry is primarily derived from verticals including iron and steel metallurgy, energy and power, automotive equipment, OLED panel and semiconductor, high-tech/3C, and engineering and construction. Our major industry-specific AI-based solutions are applied to intelligent molten iron transportation management, intelligent engineering radar inspection, intelligent wind power operation and maintenance, intelligent defect detection, intelligent automotive equipment manufacturing and intelligent liquid crystal semiconductor production. The number of our customers in manufacturing industry was 16, 62, 93 and 71 in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

Revenue generated from our AI-based products and solutions applied in manufacturing industry contributed a significant proportion of our total revenue, accounting for 36.6%, 34.2%, 41.8% and 50.8% of our total revenue in each of 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. The increase in our revenue from RMB13.6 million in 2018 to RMB78.4 million in 2019 was primarily due to the increase in revenue from other industry verticals, driven by (i) the

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## FINANCIAL INFORMATION

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increase in the average revenue per customer, and (ii) the increase in the number of customers in these verticals from 12 to 33, mainly as a result of our engagement of customers in textile manufacturing and other verticals in 2019. The increase in our revenue from 2019 to 2020 was primarily due to the increase in revenue from OLED panel manufacturing, iron and steel metallurgy and high-tech/3C verticals, driven by (i) the increase in the average revenue per customer, and (ii) the increase in the number of customers in these verticals. The increase in our revenue from RMB80.2 million in the nine months ended September 30, 2020 to RMB281.1 million in the nine months ended September 30, 2021 was primarily due to the increase in revenue from automotive equipment and high-tech/3C verticals, driven by the increase in the average revenue per customer in automotive equipment vertical from RMB0.2 million in the nine months ended September 30, 2020 to RMB10.6 million in the nine months ended September 30, 2021 and the increase in the average revenue per customer in high-tech/3C vertical from RMB0.5 million in the nine months ended September 30, 2020 to RMB2.7 million in the nine months ended September 30, 2021. The increase in the average revenue per customer in these verticals was primarily because the average transaction value of contracts increased due to the increased size and complexity of our projects.

### *Financial Services*

Revenue from our AI-based products and solutions applied in financial services industry is derived from industry-specific AI-based solutions for intelligent data center infrastructure and operation, intelligent hybrid cloud management, and intelligent data governance and application. The number of our customers in financial services industry was two, 16, 18 and 12 in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

Revenue generated from our AI-based products and solutions applied in financial services industry were RMB5.4 million, RMB53.5 million, RMB183.5 million and RMB192.8 million, respectively, accounting for 14.4%, 23.4%, 39.7% and 34.9% of our total revenue in each of 2018, 2019, 2020 and the nine months ended September 30, 2021. The decrease in revenue of AI-based products and solutions applied in insurance vertical from the nine months ended September 30, 2020 to the nine months ended September 30, 2021 was primarily due to the decrease in the number of customers in insurance vertical from nine to five.

### *Other Industries*

We generate revenue from AI-based products and solutions applied in other industries such as retail, information technology and other industries. The number of our customers in other industries was 32, 79, 54 and 48 in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

Revenue generated from our AI-based products and solutions applied in other industries were RMB18.2 million, RMB97.2 million, RMB85.7 million and RMB79.1 million, respectively, accounting for 49.0%, 42.4%, 18.5% and 14.3%, of our total revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021.



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### *By Type of Products/Services*

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
(RMB in thousands except for percentages)										
Sales of products and solutions . . .	36,545	98.2	224,408	97.9	451,726	97.7	291,403	97.9	541,927	98.0
Services of data solutions . . .	663	1.8	4,733	2.1	10,598	2.3	6,236	2.1	11,088	2.0
<b>Total . . . . .</b>	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

Sales of products and solutions primarily represent our sales of software and hardware integrated solutions. Services of data solutions primarily represent sales our software-based solutions. During the Track Record Period, we generated substantially all our revenue from the sales of software and hardware integrated solutions. In 2018, 2019, 2020 and the nine months ended September 30, 2021, revenue from our sales of products and services amounted to RMB36.5 million, RMB224.4 million, RMB451.7 million and RMB541.9 million, accounting for 98.2%, 97.9%, 97.7% and 98.0% of our total revenues in the respective periods.

### *By Customer Type*

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
(RMB in thousands except for percentages)										
System integrators . . . .	5,705	15.3	136,407	59.5	351,428	76.0	214,105	71.9	407,277	73.6
End-users . . . . .	31,503	84.7	92,734	40.5	110,896	24.0	83,534	28.1	145,738	26.4
<b>Total . . . . .</b>	<b>37,208</b>	<b>100.0</b>	<b>229,141</b>	<b>100.0</b>	<b>462,324</b>	<b>100.0</b>	<b>297,639</b>	<b>100.0</b>	<b>553,015</b>	<b>100.0</b>

### **Cost of Sales**

Our cost of sales primarily comprises (i) material costs, which primarily represent procurement cost of hardware with embedded software from third-party vendors and contract manufacturers, (ii) subcontracting costs, which primarily represent human resource outsourcing and software development outsourcing costs, (iii) employee compensation expenses, which represent wages and benefits of our AI-based products and solutions implementation and maintenance personnel, and (iv) other expenses.

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The following table sets forth the major components of our cost of sales by nature in actual amounts and as a percentage of our total cost of sales for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
Material costs . . . . .	1,746	12.6	74,626	47.4	217,180	66.3	122,507	57.7	260,084	68.1
Subcontracting costs . . . . .	6,001	43.4	62,608	39.7	88,252	26.9	79,523	37.4	98,656	25.8
Employee compensation expenses . . .	5,939	43.0	19,577	12.4	17,853	5.4	8,765	4.1	20,357	5.3
Other expenses . . .	137	1.0	717	0.5	4,418	1.4	1,572	0.7	2,994	0.8
<b>Total . . . . .</b>	<b><u>13,823</u></b>	<b><u>100.0</u></b>	<b><u>157,528</u></b>	<b><u>100.0</u></b>	<b><u>327,703</u></b>	<b><u>100.0</u></b>	<b><u>212,367</u></b>	<b><u>100.0</u></b>	<b><u>382,091</u></b>	<b><u>100.0</u></b>

Our material costs increased from RMB1.7 million in 2018 to RMB74.6 million in 2019, and further increased to RMB217.2 million in 2020, and increased from RMB122.5 million in the nine months ended September 30, 2020 to RMB260.1 million in the nine months ended September 30, 2021, primarily due to the increased purchases of hardware with embedded software as a result of an increase in our sales of AI-based products and solutions involving more hardware products during the Track Record Period. Our subcontracting costs increased from RMB6.0 million in 2018 to RMB62.6 million in 2019, and further increased to RMB88.3 million in 2020, primarily due to the increase in human resource outsourcing and software development outsourcing service fee, which were in line with our business growth. We engaged human resource outsourcing service for certain non-critical or temporary positions by entering into outsourcing service agreement with third-party service providers.

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### Gross Profit and Gross Margin

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
<b>Manufacturing</b> . . . . .	<b>8,290</b>	<b>60.8</b>	<b>30,506</b>	<b>38.9</b>	<b>65,018</b>	<b>33.7</b>	<b>30,989</b>	<b>38.7</b>	<b>94,813</b>	<b>33.7</b>
Automotive										
equipment . . . . .	138	58.0	1,261	64.5	1,143	48.0	382	38.9	42,841	36.8
High-tech/3C . . . . .	1,638	39.6	8,323	47.6	12,383	33.9	6,049	53.0	25,855	33.2
OLED panel										
manufacturing . . . . .	—	—	—	—	10,904	29.9	—	—	1,482	10.9
Engineering and										
construction . . . . .	—	—	1,652	87.5	797	19.7	483	24.5	710	37.8
Iron and steel										
metallurgy . . . . .	—	—	2,360	45.7	10,272	32.7	129	68.6	6,278	36.2
Energy and power . . . . .	—	—	—	—	3,983	20.7	3,907	20.5	1,734	37.2
Others . . . . .	6,514	70.4	16,910	32.6	25,536	40.5	20,039	43.0	15,913	32.2
<b>Financial services</b> . . . . .	<b>4,194</b>	<b>78.3</b>	<b>16,513</b>	<b>30.8</b>	<b>51,192</b>	<b>27.9</b>	<b>41,596</b>	<b>27.4</b>	<b>55,261</b>	<b>28.7</b>
Banking . . . . .	—	—	3,916	22.6	9,581	23.9	1,588	15.5	22,762	22.7
Insurance . . . . .	2,849	78.4	9,136	31.8	39,678	33.9	38,201	33.2	10,116	57.1
Others . . . . .	1,345	78.0	3,461	46.5	1,933	7.4	1,807	6.9	22,383	29.8
<b>Other industries</b> . . . . .	<b>10,901</b>	<b>59.8</b>	<b>24,594</b>	<b>25.3</b>	<b>18,411</b>	<b>21.5</b>	<b>12,687</b>	<b>19.2</b>	<b>20,850</b>	<b>26.4</b>
<b>Total/Overall</b> . . . . .	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
Sales of products and										
services . . . . .	22,895	62.6	68,772	30.6	126,847	28.1	80,783	27.7	163,091	30.1
Services of data solutions . . . . .	490	73.9	2,841	60.0	7,774	73.4	4,489	72.0	7,833	70.6
<b>Total/Overall</b> . . . . .	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

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

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
System integrators . . . . .	4,577	80.2	37,724	27.7	109,619	31.2	68,126	31.8	125,149	30.7
End-users . . . . .	18,808	59.7	33,889	36.5	25,002	22.5	17,416	20.5	45,775	31.4
<b>Total/Overall . . . . .</b>	<b>23,385</b>	<b>62.9</b>	<b>71,613</b>	<b>31.3</b>	<b>134,621</b>	<b>29.1</b>	<b>85,272</b>	<b>28.6</b>	<b>170,924</b>	<b>30.9</b>

Our gross profit increased significantly from RMB23.4 million in 2018 to RMB71.6 million in 2019, and further increased to RMB134.6 million in 2020, and increased from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021, in line with our growth in revenue during the Track Record Period. Our gross margin decreased from 62.9% in 2018 to 31.3% in 2019 and 29.1% in 2020, primarily because (i) our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst our AI-based products and solutions sold since 2019 were primarily software and hardware integrated solutions involving more hardware components according to customers' requirements, which generally entailed comparatively lower gross margins than our software-based solutions, and (ii) we offered competitive pricing when tendering large scale projects to expand our customer base in manufacturing and financial service industries as well as enable us to accumulate experience in serving relevant customers, continuously accumulate technology assets and improve features of our products. Software and hardware integrated solution involving more hardware components typically entailed relatively a lower gross margin, primarily because it generally incurred more material cost than software-based solution. Our material costs increased from RMB1.7 million in 2018 to RMB74.6 million in 2019, and further increased to RMB217.2 million in 2020. Our gross margin remained relatively stable at 28.6% in the nine months ended September 30, 2020 and 30.9% in the nine months ended September 30, 2021.

Our gross margin attributable to system integrators decreased from 80.2% in 2018 to 27.7% in 2019, primarily because our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst our AI-based products and solutions sold since 2019 were primarily software and hardware integrated solutions involving more hardware components according to customers' requirements, which generally entailed comparatively lower gross margins than our software-based solutions. Our gross margin attributable to system integrators remained relatively stable at 27.7%, 31.2%, 31.8% and 30.7% in 2019, 2020 and the nine months ended September 30, 2020 and September 30, 2021.

### *Manufacturing*

Our gross margin of AI-based products and solutions applied in automotive equipment vertical remained relatively stable at 58.0% in 2018 and 64.5% in 2019. Our gross margin of AI-based products and solutions applied in automotive equipment vertical decreased from 64.5% in 2019 to 48.0% in 2020, primarily because (i) we offered competitive pricing for large scale projects to expand our customer base as well as enable us to accumulate experience in serving relevant customers and continuously accumulate technology assets, and (ii) our sales of software and hardware integrated solutions involving more hardware components increased in 2020, which entailed comparatively lower

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gross margins. Our gross margin of AI-based products and solutions applied in automotive equipment vertical remained relatively stable at 38.9% in the nine months ended September 30, 2020 and 36.8% in the nine months ended September 30, 2021.

Our gross margin of AI-based products and solutions applied in high-tech/3C vertical increased from 39.6% in 2018 to 47.6% in 2019, primarily due to a higher pricing we charged for certain projects of increased size and complexity, which entailed relatively higher gross margins. This is because we were able to provide more AI-based products and solutions to customers in high-tech/3C vertical for business scenarios with increasing complexity alongside our accumulation of technology assets and AI algorithms. Our gross margin of AI-based products and solutions applied in high-tech/3C vertical decreased from 47.6% in 2019 to 33.9% in 2020, and decreased from 53.0% in the nine months ended September 30, 2020 to 33.2% in the nine months ended September 30, 2021, primarily because (i) we offered competitive pricing for large scale projects to expand our customer base as well as enable us to accumulate experience in serving relevant customers and continuously accumulate technology assets, and (ii) our sales of software and hardware integrated solutions involving more hardware components increased in 2020 and the nine months ended September 30, 2021, which involved more hardware components and entailed comparatively lower gross margins.

Our gross margin of AI-based products and solutions applied in OLED panel manufacturing vertical decreased from 29.9% in 2020 to 10.9% in the nine months ended September 30, 2021, primarily because we offered competitive pricing for large scale projects in the nine months ended September 30, 2021 to expand our customer base as well as enable us to accumulate experience in serving relevant customers and continuously accumulate technology assets.

Our gross margin of AI-based products and solutions applied in engineering and construction vertical decreased from 87.5% in 2019 to 19.7% in 2020, primarily because we expanded our business into engineering and construction vertical in 2019 and our AI-based products and solutions sold in the same year were mostly software-based solutions. However, our AI-based products and solutions sold since 2020 were primarily software and hardware integrated solutions involving more hardware components, which generally entailed comparatively lower gross margins than our software-based solutions.

Our gross margins of AI-based products and solutions applied in iron and steel metallurgy vertical decreased from 45.7% in 2019 to 32.7% 2020, primarily because we offered competitive pricing for certain large scale projects with low gross margin. Our gross margins of AI-based products and solutions applied in iron and steel metallurgy vertical decreased from 68.6% in the nine months ended September 30, 2020 to 36.2% in the nine months ended September 30, 2021, primarily because we offered competitive pricing for certain large scale projects in order to expand our customer base as well as to enable us to provide more AI-based products and solutions to customers in iron and steel metallurgy vertical for various business scenarios, and our sales of AI-based products and solutions in certain of these projects involved more hardware components, which entailed comparatively lower gross margin.

### *Financial Services*

Our gross margin of AI-based products and solutions applied in financial services industry decreased from 78.3% in 2018 to 30.8% in 2019 and further decreased to 27.9% in 2020, primarily because our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst

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our AI-based products and solutions sold since 2019 were primarily software and hardware integrated solutions involving more hardware components according to customers' requirements, which generally entailed comparatively lower gross margins. Our gross margin of AI-based products and solutions applied in financial services industry remained relatively stable at 27.4% in the nine months ended September 30, 2020 and 28.7% in the nine months ended September 30, 2021.

Our gross margin of AI-based products and solutions applied in banking vertical increased from 15.5% in the nine months ended September 30, 2020 to 22.7% in the nine months ended September 30, 2021, primarily due to our increased sales of AI-based products and solutions involving more software components, which entailed comparatively higher gross margins.

Our gross margin of AI-based products and solutions applied in insurance vertical increased from 33.2% in the nine months ended September 30, 2020 to 57.1% in the nine months ended September 30, 2021, was primarily due to our increased sales of AI-based products and solutions involving more software components, which entailed comparatively higher gross margins.

### **Selling and Distribution Expenses**

Our selling and distribution expenses primarily comprise (i) employee compensation expenses, which represent wages and benefits for our sales personnel (excluding share-based payment expenses for our sales personnel), (ii) share-based payment expenses for our sales personnel, (iii) marketing expenses in relation to our marketing and promotional activities, (iv) depreciation of property, plant and equipment, (v) traveling expenses, and (vi) other expenses. During the Track Record Period, our selling and distribution expenses generally decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business growth. Our selling and distribution expenses amounted to RMB20.7 million, RMB76.0 million, RMB60.4 million and RMB91.4 million, accounting for 55.6%, 33.2%, 13.1% and 16.5% of our revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. We expect the absolute amounts of our selling and distribution expenses will continue to increase along our business growth in the future. However, as we expand the scale and scope of our business and AI-based product and solution offerings, we expect to make continuous improvement to our selling and distribution efficiency and benefit from economies of scale.



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The table below sets forth a breakdown of the components of our selling and distribution expenses for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands except for percentages)										
Employee compensation expenses . . . . .	6,365	30.8	22,997	30.3	35,773	59.2	28,467	72.6	33,588	36.7
Share-based payment expenses . . . . .	646	3.1	1,831	2.4	8,378	13.9	3,081	7.9	39,510	43.2
Marketing expenses . . . . .	12,597	60.9	46,415	61.1	7,984	13.2	2,716	6.9	7,284	8.0
Depreciation . . . . .	64	0.3	1,429	1.9	2,628	4.4	2,115	5.4	2,432	2.7
Traveling expenses . . . . .	407	2.0	1,532	2.0	1,761	2.9	1,039	2.6	1,196	1.3
Other expenses . . . . .	599	2.9	1,761	2.3	3,886	6.4	1,798	4.6	7,397	8.1
<b>Total . . . . .</b>	<b><u>20,678</u></b>	<b><u>100.0</u></b>	<b><u>75,965</u></b>	<b><u>100.0</u></b>	<b><u>60,410</u></b>	<b><u>100.0</u></b>	<b><u>39,216</u></b>	<b><u>100.0</u></b>	<b><u>91,407</u></b>	<b><u>100.0</u></b>

Our marketing expenses increased from RMB12.6 million in 2018 to RMB46.4 million in 2019, primarily due to our increased branding and marketing activities to promote our AI-based products and solutions and expand our customer base at the early stage of development. Our marketing expenses in 2018 and 2019 mainly included the marketing and promotional expenses in relation to our products and technology as well as our branding campaigns. Our marketing expenses decreased from RMB46.4 million in 2019 to RMB8.0 million in 2020, primarily due to the decrease in marketing and promotional activities because we started to leverage our own sales and marketing personnel and the resources of our joint venture partners to explore the market opportunities instead of incurring substantial marketing and advertising costs. In particular, our sales and marketing personnel gradually focused on premium customers since 2019. The revenue contribution by our premium customers as a percentage to our total revenue increased from 49.8% in 2019 to 82.5% in 2020 which enabled us to save marketing expenses. In addition, leveraging on our joint venture partners' in-depth industry expertise and customer resources, our joint venture partners helped us quickly and effectively reach target customers and attract new customers so that we did not need to incur significant marketing expenses. Our marketing expenses increased from RMB2.7 million in the nine months ended September 30, 2020 to RMB7.3 million in the nine months ended September 30, 2021, primarily due to our increased marketing and promoting activities to promote our AI-based products and solutions. Going forward, we plan to make continuous investment in marketing related activities to promote our AI-based products and solutions, increase our sales and grow our business.

### General and Administrative Expenses

Our general and administrative expenses primarily comprise (i) shared-based payments expenses for our administrative personnel and Series Angel investors, (ii) employee compensation expenses, which mainly represent wages and benefits for our administrative personnel (excluding share-based payment expenses for our administrative personnel), (iii) depreciation and amortization expenses, which mainly consist of depreciation of right-of-use assets, depreciation of property, plant and equipment, and amortization of intangible assets, (iv) traveling expenses, (v) service fee, which

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represents expenses paid for legal, consulting, and financing services, (vi) recruiting and training expenses, and (vii) other expenses. Our general and administrative expenses accounted for 133.6%, 55.4%, 42.2% and 56.3% of our revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

The table below sets forth a breakdown of the components of our general and administrative expenses for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
	(RMB in thousands except for percentages)									
Employee compensation expenses . . .	16,461	33.1	46,322	36.5	49,287	25.3	33,226	26.5	38,423	12.4
Share-based payment expenses . . .	16,209	32.6	31,329	24.7	101,112	51.8	65,228	52.0	208,831	67.1
Depreciation and amortization	642	1.3	5,508	4.3	11,073	5.7	9,040	7.2	10,626	3.4
Traveling expenses . . .	2,390	4.8	3,991	3.1	2,959	1.5	2,424	1.9	1,865	0.6
Service fee . . .	3,625	7.3	21,225	16.7	16,944	8.7	4,693	3.7	5,381	1.7
Recruiting and training expenses . . .	7,428	14.9	6,880	5.4	2,539	1.3	937	0.7	3,355	1.1
Listing expenses . . .	—	—	—	—	—	—	—	—	26,558	8.5
Other expenses . . .	2,952	6.0	11,618	9.3	11,272	5.7	9,800	7.8	16,046	5.2
<b>Total . . . . .</b>	<b>49,707</b>	<b>100.0</b>	<b>126,873</b>	<b>100.0</b>	<b>195,186</b>	<b>100.0</b>	<b>125,348</b>	<b>100.0</b>	<b>311,085</b>	<b>100.0</b>

During the Track Record Period, the largest component of our general and administrative expenses was share-based payment expenses. Our share-based payment expenses increased from RMB16.2 million in 2018 to RMB31.3 million in 2019, and further increased significantly to RMB101.1 million in 2020, and increased from RMB65.2 million in the nine months ended September 30, 2020 to RMB208.8 million in the nine months ended September 30, 2021, primarily due to the increase in our share-based compensation benefits provided to our administrative personnel.

On December 30, 2018, one of Series Angel investor, Chengwei Evergreen Equity Investment Partnership (Limited Partnership) (“Chengwei Evergreen”) acquired 46,787 Unit Capital of which fair value is RMB59.57 per Unit Capital with no considerations. The investments from Chengwei Evergreen constitutes a Pre-IPO Investment. See “History and Corporate Structure—Pre-IPO Investments” for details. The difference between the fair value of the unit capital and the cash considerations is recognized as share-based payment expenses in profit or loss with a corresponding increase in equity. During the Track Record Period, we recorded share-based payment expenses for Series Angel investors of RMB2.8 million in 2018.

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### Research and Development Expenses

Our R&D expenses primarily comprise (i) employee compensation expenses for our R&D personnel (excluding share-based payment expenses for our R&D personnel), (ii) share-based payment expenses for our R&D personnel, (iii) subcontracting costs, which mainly represent the costs of outsourcing technical service, (iv) material costs, which mainly represent procurement costs for hardware and software in relation to R&D activities, (v) depreciation of property, plant and equipment, (vi) traveling expenses, (vii) service fee, which mainly represents data center service fees, and (viii) other expenses. Historically, we have made significant investments in our R&D activities as we continued to develop AI technologies and provide innovative AI-based products and solutions. Our R&D expenses accounted for 77.1%, 49.4%, 39.3% and 31.9% of our revenue in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

The table below sets forth a breakdown of the major components of our R&D expenses for the periods indicated:

	Period from February 6, to December 31,		Year ended December 31,				Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%	Amount	%
(RMB in thousands except for percentages)										
Employee compensation expenses . . .	13,516	47.1	57,496	50.7	75,047	41.3	57,275	50.1	46,302	26.2
Share-based payment expenses . . .	6,484	22.6	20,070	17.7	24,260	13.4	25,381	22.2	47,244	26.8
Subcontracting costs . . . . .	5,993	20.9	22,531	19.9	54,876	30.2	12,746	11.1	66,066	37.4
Material costs . . . . .	1,143	4.0	1,700	1.5	10,980	6.0	8,990	7.9	4,330	2.5
Depreciation and amortization	180	0.6	4,090	3.6	8,609	4.7	5,292	4.6	6,385	3.6
Traveling expenses . . .	985	3.4	3,540	3.1	2,579	1.4	1,503	1.3	2,380	1.3
Service fee . . .	187	0.7	2,179	1.9	2,636	1.5	234	0.2	269	0.2
Other expenses . . .	193	0.7	1,690	1.6	2,551	1.4	2,970	2.6	3,558	2.0
<b>Total . . . . .</b>	<b><u>28,681</u></b>	<b><u>100.0</u></b>	<b><u>113,296</u></b>	<b><u>100.0</u></b>	<b><u>181,538</u></b>	<b><u>100.0</u></b>	<b><u>114,391</u></b>	<b><u>100.0</u></b>	<b><u>176,534</u></b>	<b><u>100.0</u></b>

During the Track Record Period, the largest two components of our R&D expenses were employee compensation expenses and subcontracting costs. Our employee compensation expenses significantly increased from RMB13.5 million in 2018 to RMB57.5 million in 2019, and further increased to RMB75.0 million in 2020, primarily due to an increase in the number of our R&D personnel. Our employee compensation expenses decreased from RMB57.3 million in the nine months ended September 30, 2020 to RMB46.3 million in the nine months ended September 30, 2021, primarily because (i) we optimized structure of our R&D team by adjusting composition of various specialist engineers, and (ii) the number of R&D personnel for natural language processing research decreased as we would like to strategically focus on the R&D activities for computer vision and machine learning in relation to our AI-based products and solutions. We prudently managed the

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number of our R&D personnel and outsourced certain technical service to third-party service providers to enhance our cost effectiveness and delivery efficiency. The number of our R&D personnel remained relatively stable at 196 as of December 31, 2020 and 195 as of September 30, 2021. Our subcontracting costs increased from RMB6.0 million in 2018 to RMB22.5 million in 2019, and further increased to RMB54.9 million in 2020 as well as increased from RMB12.7 million in the nine months ended September 30, 2020 to RMB66.1 million in the nine months ended September 30, 2021, primarily due to the increase in subcontracting costs for outsourcing technical service, driven by our business growth during the Track Record Period.

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

Net impairment losses on financial assets primarily represent provisions of impairment of trade receivables. We recorded net impairment losses on financial assets of RMB0.9 million, RMB5.5 million, RMB19.0 million and RMB20.9 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. The increase in the net impairment losses on financial assets was primarily due to the increase in our impairment loss on trade receivables driven by the increase of trade receivables balance, which was generally in line with the growth of our business.

We have adopted measures to manage our credit risks, which comprise customer credit risk management measures and trade receivables management measures. With respect to customer credit management, we have categorized customers into different credit risk levels and will monitor such credit risk levels regularly. We will grant credit terms to customers in accordance with the relevant designated credit risk levels. With respect to trade receivables, we have assessed the expected credit losses by considering a few factors including historical default rates and existing market conditions. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. We also have policies in place to ensure that trade 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 receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging. See Note 3.1 to the Accountant's Report included in Appendix I to this prospectus for details.

### **Other Income**

Our other income primarily consists of non-recurring government grants, which amounted to RMB6.9 million, RMB27.1 million, RMB35.0 million and RMB14.4 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. During the Track Record Period, our social security expenses exempted due to the COVID-19 pandemic amounted to approximately RMB13.7 million according to our internal estimate.

Government grants mainly related to non-recurring financial assistance we received from local government authorities, which primarily consists of (i) grants to encourage development of AI technology, (ii) compensation of expenditure arising from R&D activities, and (iii) subsidies for our business operation. The non-recurring financial assistance we received from local government authorities are subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements or relevant government policies, and are recognized as government grants in other income when certain conditions or contractual obligations are satisfied.

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There are no unfulfilled conditions or contractual obligations relating to our recognized government grants during the Track Record Period. As advised by our PRC Legal Advisor, to the best of its knowledge after due inquiry, during the Track Record Period, all government grants received by us were granted in accordance with relevant policy documents issued by the competent authorities or applicable financial incentive agreements entered into by us and the competent government authorities. Up to the Latest Practicable Date, none of such government grants has been revoked, abolished or challenged by any laws or government authorities.

We will continue to perform our contractual obligations in accordance with the relevant agreements and government policies. Our non-current liabilities in relation to unrecognized government grants of RMB39.0 million as of September 30, 2021 are expected to be subsequently recognized as other income during the periods from the second half of 2021 to 2026.

### Other Gains/ (Losses), Net

Our other net gains/(losses) primarily comprise (i) interests received on financial assets at fair value through profit or loss, (ii) donation, (iii) foreign exchange losses, and (iv) losses on disposal of property, plant and equipment.

The following table sets forth a breakdown of the components of our other net gains/(losses) for the periods indicated:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
				(unaudited)	
		(RMB in thousands)			
Interests received on financial assets at fair value through profit or loss . . . . .	142	1,119	—	—	4,883
Foreign exchange losses . . . . .	—	—	—	—	(5,750)
Donation . . . . .	—	—	(277)	(277)	(400)
Losses on disposal of property, plant and equipment . . . . .	—	(137)	(3)	(1)	(5)
Others . . . . .	1	(46)	(10)	(147)	227
<b>Total</b> . . . . .	<b>143</b>	<b>936</b>	<b>(290)</b>	<b>(425)</b>	<b>(1,045)</b>

### Finance Costs

Finance costs primarily comprise finance costs of financial liabilities of redeemable shares and interest expenses on lease liabilities.

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

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in thousands)				
	(unaudited)				
Finance costs of financial liabilities of redeemable shares .....	2,457	35,158	82,406	52,729	34,877
Interest expenses on lease liabilities .....	130	441	705	519	447
<b>Total</b> .....	<b><u>2,587</u></b>	<b><u>35,599</u></b>	<b><u>83,111</u></b>	<b><u>53,248</u></b>	<b><u>35,324</u></b>

Our finance costs increased from RMB2.6 million in 2018 to RMB35.6 million in 2019, and further increased to RMB83.1 million in 2020, primarily due to the increase in finance costs of financial liabilities of redeemable shares. Our finance costs decreased from RMB53.2 million in the nine months ended September 30, 2020 to RMB35.3 million in the nine months ended September 30, 2021, primarily due to the decrease in finance costs of financial liabilities of redeemable shares.

### Finance Income

Finance income primarily comprises interest income from bank deposits. Our finance income amounted to RMB1.0 million, RMB9.5 million, RMB9.4 million and RMB15.5 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively.

### Income Tax Expense

Our subsidiaries in China are subject to EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the EIT Law. Pursuant to the EIT Law, our subsidiaries in China are generally subject to EIT at the statutory rate of 25%.

Our PRC subsidiaries that qualify as High and New Technology Enterprises under the relevant EIT laws and regulations are entitled to a preferential enterprise income tax rate of 15% for three years. AInnovation (Beijing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises in 2019. AInnovation (Guangzhou) Technology Co., Ltd., Hefei AInnovation and AInnovation (Chongqing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises in 2020. These companies enjoyed a preferential income tax rate of 15% from the recognition of National High and New Technology Enterprises policy during the Track Record Period.

The table below sets forth a breakdown of our income tax expense for the periods indicated:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(RMB in thousands)				
	(unaudited)				
Current tax on profits for the period/ year .....	29	303	172	8,356	2,571
Deferred income tax .....	—	—	—	—	—
<b>Total</b> .....	<b><u>29</u></b>	<b><u>303</u></b>	<b><u>172</u></b>	<b><u>8,356</u></b>	<b><u>2,571</u></b>



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During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes with any tax authorities.

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### **Nine Months Ended September 30, 2021 Compared with Nine Months Ended September 30, 2020**

##### *Revenue*

Our total revenues increased by 85.8% from RMB297.6 million in the nine months ended September 30, 2020 to RMB553.0 million in the nine months ended September 30, 2021. The increased was primarily due to the increase in our revenue from our AI-based products and solutions applied in manufacturing, financial services and other industries.

##### *Manufacturing*

Our revenue from our AI-based products and solutions applied in manufacturing industry increased by 250.5% from RMB80.2 million in the nine months ended September 30, 2020 to RMB281.1 million in the nine months ended September 30, 2021, primarily due to the increase in average revenue per customer of manufacturing industry from RMB1.2 million in the nine months ended September 30, 2020 to RMB4.0 million in the nine months ended September 30, 2021, driven by the increased average transaction value of contracts entered into with customers. The increase in average transaction value of contracts was primarily due to the increased size and complexity of our projects for which we charged more from customers. In terms of contribution from industry verticals, the increase in revenue from our AI-based products and solutions applied in manufacturing industry from the nine months ended September 30, 2020 to the nine months ended September 30, 2021 was primarily due to the increase of revenue from automotive equipment and high-tech/3C verticals, driven by our increased sales of AI-based products and solutions to electronic products manufacturers, automobile and motorcycle manufacturers and other customers from these verticals.

##### *Financial Services*

Our revenue from our AI-based products and solutions applied in financial services industry increased from RMB151.6 million in the nine months ended September 30, 2020 to RMB192.8 million in the nine months ended September 30, 2021, primarily due to the increase in average revenue per customer of financial services industry from RMB12.6 million in the nine months ended September 30, 2020 to RMB16.1 million in the nine months ended September 30, 2021 driven by the increase in the average transaction value of contracts entered into with customers as a result of we strategically focusing on manufacturing and financial services industries in 2021.

##### *Other Industries*

Our revenue from our AI-based products and solutions applied in other industries increased from RMB65.9 million in the nine months ended September 30, 2020 to RMB79.1 million in the nine months ended September 30, 2021, primarily due to the number of our customers in other industries increased from 41 to 48.

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### *Cost of Sales*

Our cost of sales increased by 79.9% from RMB212.4 million in the nine months ended September 30, 2020 to RMB382.1 million in the nine months ended September 30, 2021, primarily due to the increase in material costs as a result of increased procurement of hardware with embedded software, driven by the increased sales of our AI-based products and solutions.

### *Gross Profit and Gross Margin*

Our overall gross profit increased by 100.4% from RMB85.3 million in the nine months ended September 30, 2020 to RMB170.9 million in the nine months ended September 30, 2021, primarily due to the increase in our total revenue from the nine months ended September 30, 2020 to the nine months ended September 30, 2021. Our gross margin remained relatively stable at 28.6% in the nine months ended September 30, 2020 and 30.9% in the nine months ended September 30, 2021.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 133.2% from RMB39.2 million in the nine months ended September 30, 2020 to RMB91.4 million in the nine months ended September 30, 2021, primarily due to an increase in share-based payment expenses and employee compensation expenses for our selling and marketing staff, which was driven by an increase in the number of our sales staff.

### *General and Administrative Expenses*

Our general and administrative expenses increased by 148.3% from RMB125.3 million in the nine months ended September 30, 2020 to RMB311.1 million in the nine months ended September 30, 2021, primarily due to (i) the increase in share-based payment expenses for our administrative staff, and (ii) the listing expenses incurred in the nine months ended September 30, 2021 in relation to the Global Offering.

### *Research and Development Expenses*

Our R&D expenses increased by 54.3% from RMB114.4 million in the nine months ended September 30, 2020 to RMB176.5 million in the nine months ended September 30, 2021, primarily due to (i) an increase in share-based payment expenses for our R&D personnel, and (ii) an increase in subcontracting costs for outsourcing technical service.

### *Net Impairment Losses on Financial Assets*

Our net impairment losses on financial assets increased from RMB5.2 million in the nine months ended September 30, 2020 to RMB20.9 million in the nine months ended September 30, 2021, primarily due to the increase in our impairment loss on trade receivables.

### *Other Income*

Our other income decreased from RMB21.7 million in the nine months ended September 30, 2020 to RMB14.4 million in the nine months ended September 30, 2021, primarily due to the decrease in the government subsidies for our business operation and R&D activities.

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### *Other Losses, Net*

We recognized other losses of RMB1.0 million in the nine months ended September 30, 2021 as compared to other losses of RMB0.4 million in the nine months ended September 30, 2020, primarily due to the foreign exchange losses of RMB5.8 million in the nine months ended September 30, 2021.

### *Finance Costs*

Our finance costs decreased from RMB53.2 million in the nine months ended September 30, 2020 to RMB35.3 million in the nine months ended September 30, 2021, primarily due to the decrease in finance costs of financial liabilities of redeemable shares.

### *Finance Income*

Our finance income increased from RMB6.2 million in the nine months ended September 30, 2020 to RMB15.5 million in the nine months ended September 30, 2021, primarily due to an increase in our interest income from bank deposits.

### *Income Tax Expense*

Our income tax expense decreased from RMB8.4 million in the nine months ended September 30, 2020 to RMB2.6 million in the nine months ended September 30, 2021, primarily due to the decrease in profits of our consolidated entities in the nine months ended September 30, 2021.

### *Loss for the Period*

As a result of the foregoing, we recorded a loss of RMB438.0 million in the nine months ended September 30, 2021, compared to a loss of RMB233.0 million in the nine months ended September 30, 2020.

## **Year Ended December 31, 2020 Compared with Year Ended December 31, 2019**

### *Revenue*

Our total revenue increased by 101.8% from RMB229.1 million in 2019 to RMB462.3 million in 2020. The increase was primarily due to the increase in our revenue from our AI-based products and solutions applied in manufacturing and financial services industries.

### *Manufacturing*

Our revenue from our AI-based products and solutions applied in manufacturing industry increased by 146.3% from RMB78.4 million in 2019 to RMB193.1 million in 2020, primarily due to the increase in the number of our customers in manufacturing industry from 62 in 2019 to 93 in 2020 as well as the increase in average revenue per customer of manufacturing industry from RMB1.3 million in 2019 to RMB2.1 million in 2020, driven by the increased average transaction value of contracts entered into with customers. The increase in average transaction value of contracts was primarily because we charged more from customers for projects of increased size and complexity, mainly due to our ability to provide more AI-based products and solutions to customers in manufacturing industry for business scenarios with increasing complexity alongside our accumulation of technology assets and experience in serving our customers.

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### *Financial Services*

Our revenue from our AI-based products and solutions applied in financial services industry increased significantly from RMB53.5 million in 2019 to RMB183.5 million in 2020, primarily due to the increase in average revenue per customer of financial services industry from RMB3.3 million in 2019 to RMB10.2 million in 2020 as well as our expanded customer base in 2020. The increase in average revenue per customer of financial services industry was driven by the increase in average transaction value of contracts entered into with customers, which was primarily due to the increased size and complexity of projects for which we charged more from customers. Alongside our accumulation of technology assets and AI algorithms, we were able to provide more AI-based products and solutions applied in financial information industry to customers for business scenarios with increasing complexity in 2020.

### *Other Industries*

Our revenue from AI-based products and solutions applied in other industries decreased from RMB97.2 million in 2019 to RMB85.7 million in 2020, primarily due to the decrease in our revenue from AI-based products and solutions applied in information technology industry as we strategically focus on manufacturing and financial services industries in 2020.

### *Cost of Sales*

Our cost of sales increased by 108.1% from RMB157.5 million in 2019 to RMB327.7 million in 2020, primarily due to the increase in material costs, driven by the increased sales of our AI-based products and solutions.

### *Gross Profit and Gross Margin*

Our overall gross profit increased by 88.0% from RMB71.6 million in 2019 to RMB134.6 million in 2020, primarily due to the increase in our total revenue from 2019 to 2020. Our gross margin remained relatively stable at 31.3% and 29.1% in 2019 and 2020, respectively.

### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased by 20.5% from RMB76.0 million in 2019 to RMB60.4 million in 2020, primarily due to the decrease in marketing and promotional activities because we started to leverage more on our own sales and marketing personnel as well as the resources of our joint venture partners to explore the market opportunities.

### *General and Administrative Expenses*

Our general and administrative expenses increased by 53.8% from RMB126.9 million in 2019 to RMB195.2 million in 2020, primarily due to the increase in share-based payment expenses for our administrative staff.

### *Research and Development Expenses*

Our R&D expenses increased by 60.2% from RMB113.3 million in 2019 to RMB181.5 million in 2020, primarily due to (i) an increase in share-based payment expenses and employee compensation expenses for our R&D personnel, and (ii) an increase in subcontracting costs for outsourcing technical

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service. In addition, we incurred more R&D expenditure, which we further used to improve our AI technologies and develop innovative AI-based products and solutions.

### *Net Impairment Losses on Financial Assets*

Our net impairment losses on financial assets increased from RMB5.5 million in 2019 to RMB19.0 million in 2020, primarily due to the increase in our impairment loss on trade receivables.

### *Other Income*

Our other income increased from RMB27.1 million in 2019 to RMB35.0 million in 2020, primarily due to the increase in the government grants of RMB7.9 million which mainly consist of government subsidies for our business operation and R&D activities.

### *Other Gains / (Losses), Net*

We recognized other losses of RMB0.3 million in 2020 as compared to other gains of RMB0.9 million in 2019, primarily because (i) our donation was RMB0.3 million in 2020, and (ii) our interests received on financial assets at fair value through profit or loss was RMB1.1 million in 2019, while we did not record such interests in 2020.

### *Finance Costs*

Our finance cost increased significantly from RMB35.6 million in 2019 to RMB83.1 million in 2020, primarily due to the increase in finance costs of financial liabilities of redeemable shares.

### *Finance Income*

Our finance income remained relatively stable at RMB9.5 million and RMB9.4 million in 2019 and 2020, respectively.

### *Income Tax Expense*

Our income tax expense remained relatively stable at RMB0.3 million and RMB0.2 million in 2019 and 2020, respectively.

### *Loss for the Year*

As a result of the foregoing, we recorded a loss of RMB360.6 million in 2020, compared to a loss of RMB248.4 million in 2019.

## **Year Ended December 31, 2019 Compared with Period from February 6, 2018 to December 31, 2018**

### *Revenue*

Our total revenues increased by 515.9% from RMB37.2 million in 2018 to RMB229.1 million in 2019. The increase was primarily due to the increase in our revenue from our AI-based products and solutions applied in manufacturing, financial services and other industries, driven by our expanded customer base and increased average revenue per customer during the same periods.

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### *Manufacturing*

Our revenue from our AI-based products and solutions applied in manufacturing industry increased by 476.5% from RMB13.6 million in 2018 to RMB78.4 million in 2019, primarily due to the growth of our customer base from 16 in 2018 to 62 in 2019 as well as the increase in average revenue per customer of manufacturing industry from RMB0.9 million in 2018 to RMB1.3 million in 2019, driven by the increased average transaction value of contracts entered into with customers. The increase in average transaction value of contracts was primarily due to the increased size and complexity of our projects for which we charged more from customers.

### *Financial Services*

Our revenue from our AI-based products and solutions applied in financial services industry increased significantly from RMB5.4 million in 2018 to RMB53.5 million in 2019, primarily due to the expansion of our customer base as well as the increase in average revenue per customer of financial services industry from RMB2.7 million in 2018 to RMB3.3 million in 2019. The increase in average revenue per customer of financial services industry was driven by the increase in average transaction value of contracts entered into with customers. The increase in average transaction value of contracts was primarily due to the increased size and complexity of our projects for which we charged more from customers.

### *Other Industries*

Our revenue from our AI-based products and solutions applied in other industries increased significantly from RMB18.2 million in 2018 to RMB97.2 million in 2019, primarily due to the number of our customers in other industries increased from 32 in 2018 to 79 in 2019.

### *Cost of Sales*

Our cost of sales increased significantly by 1,041.3% from RMB13.8 million in 2018 to RMB157.5 million in 2019, which was primarily due to the increased material costs, driven by the increased sales of our AI-based products and solutions.

### *Gross Profit and Gross Margin*

Our overall gross profit significantly increased by 206.0% from RMB23.4 million in 2018 to RMB71.6 million in 2019, primarily due to the increase in our total revenue from 2018 to 2019. Our gross margin decreased from 62.9% in 2018 to 31.3% in 2019, primarily because our AI-based products and solutions sold in 2018 were mostly software-based solutions, whilst our AI-based products and solutions sold in 2019 were primarily software and hardware integrated solutions involving more hardware components according to customers' requirements, which generally entailed comparatively lower gross margin.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 267.1% from RMB20.7 million in 2018 to RMB76.0 million in 2019, primarily due to (i) the increased employee compensation expenses for our selling and marketing staff, which was driven by an increase in the number of our sales staff, and (ii) an increase in marketing expenses for our branding and marketing activities to promote our AI-based products and solutions and expand our customer base at the early stage of development.



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### ***General and Administrative Expenses***

Our general and administrative expenses increased by 155.3% from RMB49.7 million in 2018 to RMB126.9 million in 2019, primarily due to (i) the increased employee compensation expenses for our general and administrative staff, which was driven by an increase in the number of our administrative staff, and (ii) an increase in our share-based payment expenses for administrative personnel.

### ***Research and Development Expenses***

Our R&D expenses increased by 294.8% from RMB28.7 million in 2018 to RMB113.3 million in 2019, primarily due to (i) an increase in employee compensation expenses and share-based payment expenses for our R&D personnel, and (ii) an increase in subcontracting costs for outsourcing technical service.

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

Our impairment losses on financial assets increased from RMB0.9 million in 2018 to RMB5.5 million in 2019, primarily due to the increase in our impairment loss on trade receivables, which was generally in line with the growth of our business.

### ***Other Income***

Our other income increased from RMB6.9 million in 2018 to RMB27.1 million in 2019, primarily due to the increase in the government grants and subsidies we received from local governments to support our business operation and R&D activities.

### ***Other Gains, Net***

Our other gains increased from RMB0.1 million in 2018 to RMB0.9 million in 2019, primarily because the increase in our interests received on financial assets at fair value through profit or loss of RMB1.0 million.

### ***Finance Costs***

Our finance cost increased significantly from RMB2.6 million in 2018 to RMB35.6 million in 2019, primarily due to the increase in finance costs of financial liabilities of redeemable shares and increased interest expenses on lease liabilities.

### ***Finance Income***

Our finance income increased significantly from RMB1.0 million in 2018 to RMB9.5 million in 2019, primarily due to an increase in our interest income from bank deposits.

### ***Income Tax Expense***

Our income tax expense increased from RMB29 thousand in 2018 to RMB0.3 million in 2019, primarily because the increase in profits of certain of our consolidated entities in 2019.

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### *Loss for the Period*

As a result of the foregoing, we recorded a loss of RMB248.4 million in 2019, compared to a loss of RMB71.2 million in 2018.

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

#### Net Current Assets

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

	As of December 31,			As of September 30,	As of November 30,
	2018	2019	2020	2021	2021
	(RMB in thousands)				(unaudited)
<b>Current assets</b>					
Inventories . . . . .	3,043	32,327	55,310	43,359	66,482
Prepayments and other receivables . . .	3,594	23,190	27,329	46,833	92,982
Trade and notes receivables . . . . .	16,241	120,737	189,554	296,353	221,385
Financial assets at fair value through other comprehensive income . . . . .	—	6,446	3,937	27,093	25,493
Financial assets at fair value through profit or loss . . . . .	14,000	—	—	—	—
Amounts due from related parties . . . .	100	2	2,321	8,606	8,695
Restricted cash . . . . .	7,447	2,979	1,491	206	2,697
Cash and cash equivalents . . . . .	74,396	605,631	1,042,502	1,654,623	1,624,019
<b>Total current assets</b> . . . . .	<b>118,821</b>	<b>791,312</b>	<b>1,322,444</b>	<b>2,077,073</b>	<b>2,041,753</b>
<b>Current liabilities</b>					
Lease liabilities . . . . .	1,597	4,633	5,233	3,712	9,506
Trade and notes payables . . . . .	12,881	64,828	63,199	127,209	126,373
Contract liabilities . . . . .	2,029	9,685	38,440	29,082	54,206
Other payables and accruals . . . . .	22,122	34,738	84,900	82,434	54,520
Amounts due to related parties . . . . .	177	14,703	931	773	716
Current income tax liabilities . . . . .	29	303	—	567	3,340
<b>Total current liabilities</b> . . . . .	<b>38,835</b>	<b>128,890</b>	<b>192,703</b>	<b>243,777</b>	<b>248,661</b>
<b>Net current assets</b> . . . . .	<b>79,986</b>	<b>662,422</b>	<b>1,129,741</b>	<b>1,833,296</b>	<b>1,793,092</b>

Our net current assets decreased by 2.2% from RMB1,833.3 million as of September 30, 2021 to RMB1,793.1 million as of November 30, 2021. The change was primarily due to (i) the decrease of RMB75.0 million in trade and notes receivables, primarily due to the subsequent settlement of trade and notes receivables, and (ii) the decrease of RMB30.6 million in cash and cash equivalents, primarily due to our use of cash for operating activities, partially offset by (i) the increase of RMB46.1 million in prepayments and other receivables, and (ii) the decrease of RMB27.9 million of other payables and accruals.

Our net current assets increased by 62.3% from RMB1,129.7 million as of December 31, 2020 to RMB1,833.3 million as of September 30, 2021. The change was primarily due to (i) the increase of RMB612.1 million in cash and cash equivalents, and (ii) the increase of RMB106.8 million in trade and notes receivables, partially offset by (i) the increase of RMB64.0 million in trade and notes payables, and (ii) the decrease of RMB12.0 million in inventories.

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Our net current assets increased by 70.5% from RMB662.4 million as of December 31, 2019 to RMB1,129.7 million as of December 31, 2020, primarily due to (i) the increase of RMB436.9 million in cash and cash equivalents, and (ii) the increase of RMB68.8 million in trade and notes receivables, partially offset by (i) the increase of RMB50.2 million in other payables and accruals, and (ii) the increase of RMB28.8 million in contract liabilities.

Our net current assets increased by 728.0% from RMB80.0 million as of December 31, 2018 to RMB662.4 million as of December 31, 2019, primarily due to (i) the increase of RMB531.2 million in cash and cash equivalents, and (ii) the increase of RMB104.5 million in trade and notes receivables, partially offset by (i) the increase of RMB51.9 million in trade and notes payables, and (ii) the increase of RMB14.5 million in amounts due to related parties.

### Inventories

Our inventories primarily comprise (i) work in progress, primarily representing unfinished AI-based products or solutions that are still being developed, (ii) finished goods, primarily representing our RDP, and (iii) raw materials, primarily representing hardware and components for our AI-based products and solutions. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Raw materials	112	—	1,066	3,640
Work in progress	2,015	32,163	47,658	36,266
Finished goods	916	164	6,586	3,453
<b>Total</b>	<b>3,043</b>	<b>32,327</b>	<b>55,310</b>	<b>43,359</b>

Our inventories increased from RMB3.0 million as of December 31, 2018 to RMB32.3 million as of December 31, 2019, and further increased to RMB55.3 million as of December 31, 2020, primarily due to the increase in our work in progress as a result of our increased sales of AI-based products and solutions in manufacturing and financial services industries since 2019. Our inventories decreased from RMB55.3 million as of December 31, 2020 to RMB43.4 million as of September 30, 2021, primarily due to the decrease in work in progress and finished goods as a result of (i) the delivery of purchase orders with relatively large amount of contract value subsequent to December 31, 2020, and (ii) the increased sales of products with relatively short delivery time frame.

The following table sets forth our inventories turnover days for the Track Record Period:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020	2021
	(days)			
Inventories turnover days <sup>(1)</sup>	36	41	49	35

Note:

(1) Calculated using the average of opening balance and closing balance of the inventories for such period divided by cost of sales for the relevant period and multiplied by the number of days during such period.

Our inventories turnover days increased from 36 days in 2018 to 41 days in 2019, and further increased to 49 days in 2020, primarily because our inventory balance increased due to the increasing

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demand of our AI-based products and solutions. Our inventories turnover days decreased from 49 days in 2020 to 35 days in the nine months ended September 30, 2021, primarily as a result of (i) the delivery of purchase orders with relatively large amount of contract value subsequent to December 31, 2020, and (ii) the increased sales of products with relatively short delivery time frame.

As of November 30, 2021, RMB2.1 million, or approximately 4.8% of our inventories as of September 30, 2021 had been subsequently consumed or sold. Among the remaining inventories balance as of September 30, 2021, approximately 81.7% of our inventories as of September 30, 2021 are expected to be settled by the end of 2021.

### Trade and Notes Receivables

Our trade and notes receivables mainly relate to the amounts due from our customers who purchased our AI-based products and solutions. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>September 30,</u>
	(RMB in thousands)			<u>2021</u>
Accounts receivable .....	17,096	122,930	213,487	341,219
Less: provision for impairment .....	(855)	(6,351)	(25,144)	(45,956)
Notes receivables .....	—	4,158	1,211	1,090
<b>Total</b> .....	<b><u>16,241</u></b>	<b><u>120,737</u></b>	<b><u>189,554</u></b>	<b><u>296,353</u></b>

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. During the Track Record Period, we normally provided a credit term of 30 days to 180 days, 30 days to 90 days and 30 days to 180 days to our customers in manufacturing, financial services and other industries, respectively.

Our trade and notes receivables increased from RMB16.2 million as of December 31, 2018 to RMB120.7 million as of December 31, 2019 and further increased to RMB189.6 million as of December 31, 2020. Our trade and notes receivables increased from RMB189.6 million as of December 31, 2020 to RMB296.4 million as of September 30, 2021. The increase was primarily due to the growth of our business during the Track Record Period. We did not have notes receivables in 2018. Our notes receivables were all bank acceptance notes aged less than six months.

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The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Accounts receivable				
Less than 3 months	14,746	95,476	123,602	163,566
3 months to 6 months	2,350	18,660	39,531	112,055
6 months to 12 months	—	8,794	33,238	30,019
1 year to 2 years	—	—	17,116	33,920
2 years to 3 years	—	—	—	1,659
<b>Total</b>	<b>17,096</b>	<b>122,930</b>	<b>213,487</b>	<b>341,219</b>

The following table sets forth our trade and notes receivables turnover days for the Track Record Period:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020	2021
	(days)			
Trade and notes receivables turnover days <sup>(1)</sup>	76	115	135	137

*Note:*

(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 were 76 days, 115 days and 135 days in 2018, 2019 and 2020 respectively. The increase was primarily due to the increase in our sales of AI-based products and solutions to customers in manufacturing industry which required longer settlement terms. During the Track Record Period, our customers in the manufacturing industry generally required longer settlement terms than customers in other industries primarily because, to the Directors' knowledge, they typically require a relatively long settlement cycle as required by their internal financial management and payment approval processes, which was also in line with the industry norm according to Frost & Sullivan. Our trade and notes receivables turnover days remained relatively stable at 135 days in 2020 and 137 days in the nine months ended September 30, 2021.

To strengthen the recovering outstanding receivables, we have established effective customer credit policies, implemented strengthened credit term review and approval procedures and strengthened the receivables management performance review with respect to the relevant sales personnel. We have assessed the recoverability of the relevant outstanding trade receivables. Most of the outstanding trade receivables as of September 30, 2021 were aged less than six months. Approximately 85.3% of our trade receivables aged less than six months as of September 30, 2021 are expected to be recovered by the end of 2021. Therefore, we believe the risk of not being able to recover the relevant trade receivables aged less than six months is relatively low based on our evaluation of the historical credit standing, ongoing monitoring and the credit records of these customers. Moreover, we monitor long-aging trade receivables closely and update the collection status of trade receivables on a regular basis. With regard to the balance of trade receivables aged over six months, we performed an impairment analysis at the end of each of the period within the Track Record Period and made provision of RMB27.8 million for trade receivables aged over six months as of September 30, 2021. Among the

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trade receivables aged over six months of approximately RMB52.6 million not settled as of September 30, 2021 (excluding RMB13.0 million of trade receivables with potential risk of not being able to collect from the relevant customers for which we made an individual provision), approximately 45.0% were subsequently settled in 2021 or are expected to be recovered by the end of 2021, approximately 37.9% are expected to be recovered in the first quarter of 2022, and the rest of approximately 17.1% are expected to be collected in 2022 in accordance with the relevant repayment contract entered with our customers or other repayment arrangements.

To assess the recoverability of the Group's trade receivables aged over six months and whether sufficient provision has been made, the Joint Sponsors have undertaken the following due diligence:

- conducted financial due diligence with the Company to understand the Group's financial information, including the nature of trade receivables, the aging of the trade receivables, the credit terms granted by the Group to its customers, the reason for the prolonged delay in settlement of the trade receivables aged over six months;
- the Joint Sponsors have reviewed the draft Accountant's Report, and note that the Reporting Accountant stated in its opinion that the historical financial information of the Group from February 6, 2018 to December 31, 2020 and the nine months ended September 30, 2021 provides, for the purposes of the Accountant's Report, a true and fair view of the financial position of the Company as of December 31, 2018, 2019 and 2020 and September 30, 2021, and the consolidated financial position of the Group as of December 31, 2018, 2019 and 2020 and September 30, 2021;
- the Joint Sponsors have conducted professional parties' interviews with the Reporting Accountant, PricewaterhouseCoopers, to understand its competency, experience and procedures performed by them;
- based on the financial due diligence and the management accounts obtained from the Company, the Joint Sponsors noted that, as of November 30, 2021, approximately RMB13.1 million, or 20.0%, of the trade receivables aged over six months as of September 30, 2021 had been subsequently settled;
- reviewed management accounts on historical provisions made and subsequent collection progress;
- based on the financial due diligence and the management accounts obtained from the Company, the Joint Sponsors noted that provision amounted to approximately RMB27.8 million for the trade receivables aged over six months as of September 30, 2021 had been made. Based on the Company's provision policy, the Joint Sponsors believe the amount of provision made in this regard is sufficient;
- understood from the Company that the Company has taken measures in place to mitigate risk exposures to customers with potential prolonged delay settlement of trade receivables aged over six months as of September 30, 2021, which include the implementation of strengthened credit term review and approval procedures and strengthened receivables management performance review with respect to the relevant sales personnel;
- conducted independent interviews with the major customers of the Group to understand, among others, the historical transaction amount during the Track Record Period, the credit terms and payment arrangement and the relationship between the customers and the Group, and did not note any material negative findings;



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- engaged an independent internal control consultant to conduct a review of the Group's internal control measures, reviewed the scope, the procedures carried out by the internal control consultant and the long form report issued by the internal control consultant, and conducted discussions and professional parties' interviews with the internal control consultant to understand their competency, experience and procedures performed by them;
- reviewed the Group's contracts with major customers across different industries on payment arrangement and credit terms granted;
- compared the expected loss rate (which is calculated as the loss allowance to the trade receivables aged over six months as of September 30, 2021, divided by the gross carrying amount of the trade receivables aged over six months as of September 30, 2021) of the Group with other industry players based on publicly available information.

Based on the abovementioned due diligence and the audit procedure performed by the Reporting Accountant, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the recoverability of our trade receivables aged over six months as of September 30, 2021. Additionally, based on the abovementioned due diligence conducted, the Joint Sponsors are of the view that sufficient provision has been made for our trade receivables aged over six months as of September 30, 2021.

As of November 30, 2021, RMB97.7 million, or approximately 28.6% of our trade and notes receivables as of September 30, 2021 had been settled.

### Prepayments and Other Receivables

Prepayments and other receivables primarily comprise recoverable VAT, recoverable income tax, prepayments to vendors, deposits and others. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Recoverable VAT. . . . .	1,021	8,165	16,722	16,715
Prepayments to vendors. . . . .	2,229	12,407	5,422	15,151
Recoverable income tax. . . . .	—	—	536	2,540
Deposits. . . . .	115	2,150	1,955	4,606
Others . . . . .	229	468	2,694	7,821
<b>Total</b> . . . . .	<b>3,594</b>	<b>23,190</b>	<b>27,329</b>	<b>46,833</b>

Our prepayments and other receivables increased from RMB3.6 million as of December 31, 2018 to RMB23.2 million as of December 31, 2019, primarily due to the increase in recoverable VAT and prepayments to vendors, driven by our significant overall business growth. Our prepayments and other receivables increased from RMB23.2 million as of December 31, 2019 to RMB27.3 million as of December 31, 2020, primarily due to the increase in recoverable VAT. Our prepayments and other receivables increased from RMB27.3 million as of December 31, 2020 to RMB46.8 million as of September 30, 2021, primarily due to the increase in prepayments to vendors, driven by our business growth.

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### **Financial Assets at Fair Value through Other Comprehensive Income**

Our current financial assets at fair value through other comprehensive income amounted to nil, RMB6.4 million, RMB3.9 million, and RMB27.1 million as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. Our current financial assets at fair value through other comprehensive income primarily consist of the bank acceptance notes issued by the banks in China from our customer to settle their payments of our AI-based products and solutions.

### **Financial Assets at Fair Value through Profit or Loss**

Our current financial assets at fair value through profit or loss amounted to RMB14.0 million, nil, nil, and nil as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively. Our current financial assets at fair value through profit or loss primarily consist of the structured deposits we purchased to improve returns on our available capital. The structured deposits we purchased were issued by commercial banks in China. We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy.

To monitor and control the investment risks associated with our structured deposits portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in structured deposits. Our finance department is responsible for proposing, analyzing and evaluating potential investment in structured deposits. Prior to making any material investments in structured deposits or modifying our existing investment portfolio, the proposal shall be approved by Mr. Xu Hui, our Chief Executive Officer and Mr. John Cao, our Chief Financial Officer, and the other designated members of our management. Our investment strategy related to structured deposits focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we invest in principal – guaranteed structured deposits issued by major commercial banks in China. We make investment decisions related to structured deposits on a case-by-case basis after thoroughly 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.

Upon the Listing, we intend to continue our investments such as structured deposits strictly in accordance with our internal policies (which include approval by Mr. Xu Hui, our Chief Executive Officer and Mr. John Cao, our Chief Financial Officer, and the other designated members of our management in respect of material investments in such structured deposits), Articles of Association and, to the extent that an investment in material structured deposits is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

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### Trade and Notes Payables

Our trade and notes payables represent our obligation to pay for goods or services that have been purchased from suppliers in the ordinary course of business. The following table sets forth a breakdown of our trade and notes payables as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	(RMB in thousands)			
Accounts payable	12,881	64,828	62,574	125,128
Notes payable	—	—	625	2,081
<b>Total</b>	<b>12,881</b>	<b>64,828</b>	<b>63,199</b>	<b>127,209</b>

Our trade and notes payables increased from RMB12.9 million as of December 31, 2018 to RMB64.8 million as of December 31, 2019, primarily due to the significant growth of our business, which resulted in increasing procurement amount and hence higher balance of payables to our suppliers. Our trade and notes payables remained relatively stable at RMB64.8 million as of December 31, 2019 and RMB63.2 million as of December 31, 2020. Our trade and notes payables increased from RMB63.2 million as of December 31, 2020 to RMB127.2 million as of September 30, 2021, primarily due to the growth of our business.

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
	2018	2019	2020	September 30, 2021
	(RMB in thousands)			
Within 3 months	11,081	54,529	47,200	75,315
Between 3 months and 6 months	1,800	9,490	2,199	42,888
Between 6 months and 1 year	—	809	10,940	3,937
Between 1 year and 2 years	—	—	2,860	4,260
Between 2 year and 3 years	—	—	—	809
<b>Total</b>	<b>12,881</b>	<b>64,828</b>	<b>63,199</b>	<b>127,209</b>

The following table sets forth our trade and notes payables turnover days for the Track Record Period:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020	2021
	(days)			
Trade and notes payables turnover days <sup>(1)</sup>	153	90	71	68

Note:

- (1) Trade and notes 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 for the relevant period and multiplied by the number of days during such period.

Our trade and notes payables turnover days decreased from 153 days in 2018 to 90 days in 2019 and 71 days in 2020, primarily because we strengthened trade and notes payables settlement to secure stable supply of hardware for our AI-based products and solutions. Our trade and notes payables

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turnover days remained relatively stable at 71 days in 2020 and 68 days in the nine months ended September 30, 2021.

As of November 30, 2021, RMB37.9 million, or approximately 29.8% of our trade and notes payables as of September 30, 2021 had been settled.

### Other Payables and Accruals

Our other payables and accruals primarily comprise (i) payroll and welfare payables, (ii) payables for acquisition of non-controlling interests to non-controlling shareholders, (iii) accruals and other payables and (iv) other taxes payable. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	(RMB in thousands)			
Payroll and welfare payables . . . . .	10,664	22,224	34,524	35,217
Accruals and other payables . . . . .	10,575	10,690	23,117	19,405
Payables for acquisition of non-controlling interests to non-controlling shareholders . . . . .	—	—	22,400	22,400
Other taxes payable . . . . .	883	1,824	4,859	5,412
<b>Total</b> . . . . .	<b>22,122</b>	<b>34,738</b>	<b>84,900</b>	<b>82,434</b>

Our other payables and accruals increased from RMB22.1 million as of December 31, 2018 to RMB34.7 million as of December 31, 2019, primarily due to the increases in our payroll and welfare payables and other taxes payable. Our other payables and accruals increased from RMB34.7 million as of December 31, 2019 to RMB84.9 million as of December 31, 2020, primarily due to (i) an increase in payroll and welfare payables as a result of our increased number of employees, and (ii) our purchase of the remaining 45% equity interests in RewinCloud at a total consideration of approximately RMB124.0 million, of which RMB101.6 million was paid in 2020. The vendor of our purchase of the minority equity interests in RewinCloud is Qingdao Huiyan Zhicheng Entrepreneurship Service Center (Limited Partnership) (青島慧琰智成創業服務中心 (有限合夥)) (formerly known as Tianjin Huiyan Entrepreneurship Service Center (Limited Partnership) (天津慧琰創業服務中心 (有限合夥))), with its ultimate beneficial owner being Mr. Zou Quan, an Independent Third Party at the time of purchase of the minority equity interest, and currently a director and the general manager of RewinCloud. The payables for acquisition of non-controlling interests to non-controlling shareholders of RMB22.4 million as of December 31, 2020 has been settled in October 2021. Our other payables and accruals remained relatively stable at RMB84.9 million as of December 31, 2020 and RMB82.4 million as of September 30, 2021.

### Contract Liabilities

Our contract liabilities represent the advance payments from our customers while the underlying goods or services are yet to be provided. Our contract liabilities increased from RMB2.0 million as of December 31, 2018 to RMB9.7 million as of December 31, 2019, and further increased significantly to RMB38.4 million as of December 31, 2020, primarily due to an increase in advance payments from our customers as a result of the increase in our sales of AI-based products and solutions during the Track Record Period. Our contract liabilities decreased from RMB38.4 million as of December 31, 2020 to RM29.1 million as of September 30, 2021, primarily because a significant

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amount of contract liabilities as of December 31, 2020 was recognized as revenue in the nine month ended September 30, 2021.

### Unsatisfied performance obligations

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	(RMB in thousands)			
—Sales of products and solutions . . . . .	42,879	106,557	235,265	473,659

We expect that unsatisfied performance obligations of RMB284.9 million as of September 30, 2021 will be recognized as revenue within one year. The remaining unsatisfied performance obligations of approximately RMB188.7 million will be recognized as revenue after one year but less than three years. The increase in the unsatisfied performance obligations is primarily due to our increased sales of AI-based products and solutions.

### 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:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2020	2020	2021
	(unaudited)				
	(RMB in thousands)				
Operating loss before changes in working capital . . . . .	(44,599)	(153,185)	(111,256)	(62,056)	(78,006)
Working capital changes . . . . .	40,727	45,272	(71,387)	(84,422)	(109,883)
Interest received and/or income taxes (paid) . . . . .	979	9,470	8,438	5,217	13,503
Net cash used in operating activities . . . . .	(2,893)	(188,987)	(174,205)	(141,261)	(174,386)
Net cash used in investing activities . . . . .	(41,606)	(18,955)	(19,233)	(17,447)	(36,334)
Net cash generated from/(used in) financing activities . . . . .	118,895	739,177	630,309	(31,536)	828,591
Net increase/(decrease) in cash and cash equivalents . . . . .	74,396	531,235	436,871	(190,244)	617,871
Exchange losses on cash and cash equivalents . . . . .	—	—	—	—	(5,750)
Cash and cash equivalents at the end of the period/year . . . . .	74,396	605,631	1,042,502	415,387	1,654,623

### Net Cash Flows Used in Operating Activities

In the nine months ended September 30, 2021, our net cash flows used in operating activities was RMB174.4 million. Our net cash used in operating activities is calculated by adjusting our loss

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before income tax of RMB435.4 million in by non-cash and other items to arrive at an operating loss before working capital changes of RMB78.0 million. Our movements in working capital primarily reflected (i) an increase in trade and notes receivables of RMB127.6 million, (ii) an increase in other operating assets of RMB40.5 million, partially offset by (i) an increase in trade and notes payables of RMB64.0 million, (ii) a decrease in inventories of RMB12.0 million.

In 2020, our net cash flows used in operating activities was RMB174.2 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB360.5 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB111.3 million. Our movements in working capital primarily reflected (i) an increase in trade and notes receivables of RMB87.6 million, (ii) an increase in inventories of RMB23.0 million, partially offset by (i) an increase in contract liabilities of RMB28.8 million and (ii) an increase in other operating liabilities of RMB17.0 million.

In 2019, our net cash flows used in operating activities was RMB189.0 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB248.1 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB153.2 million. Our movements in working capital primarily reflected (i) an increase in trade and notes receivables of RMB110.0 million, (ii) an increase in inventories of RMB29.3 million, partially offset by (i) an increase in trade and notes payables of RMB51.9 million and (ii) an increase in other operating liabilities of RMB50.6 million.

In 2018, our net cash flows used in operating activities was RMB2.9 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB71.1 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB44.6 million. Our movements in working capital primarily reflected (i) an increase in trade and notes receivables of RMB17.1 million, (ii) an increase in other operating assets of RMB10.4 million, partially offset by (i) an increase in other operating liabilities of RMB56.3 million and (ii) an increase in trade and notes payables of RMB12.9 million.

### **Net Cash Flows Used in Investing Activities**

In the nine months ended September 30, 2021, our net cash flows used in investing activities was RMB36.3 million, which was mainly attributable to (i) payments of financial assets at fair value through profit or loss of RMB1,100.0 million, and (ii) payments of property, plant and equipment and intangible assets of RMB41.3 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,100.0 million.

In 2020, our net cash flows used in investing activities was RMB19.2 million, which was mainly attributable to (i) payments of property, plant and equipment and intangible assets of RMB18.5 million, and (ii) payments of financial assets at fair value through other comprehensive income of RMB0.7 million.

In 2019, our net cash flows used in investing activities was RMB19.0 million, which was mainly attributable to (i) payments of financial assets at fair value through profit or loss of RMB326.0 million, and (ii) payments of property, plant and equipment and intangible assets of RMB32.4 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB340.0 million.



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In 2018, our net cash flows used in investing activities was RMB41.6 million, which was mainly attributable to (i) payments of financial assets at fair value through profit or loss of RMB30.0 million, and (ii) payments of property, plant and equipment and intangible assets of RMB27.6 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB16.0 million.

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

In the nine months ended September 30, 2021, our net cash flows generated from financing activities was RMB828.6 million, which was mainly attributable to (i) capital injection from shareholders of RMB838.5 million, and (ii) capital injection of subsidiaries from non-controlling interests of RMB4.9 million, partially offset by payments for listing expenses of RMB10.0 million.

In 2020, our net cash flows generated from financing activities was RMB630.3 million, which was mainly attributable to capital injection from shareholders of RMB750.8 million, partially offset by (i) acquisition of non-controlling interests of RMB101.6 million, and (ii) payments of financing service expenses of RMB12.0 million.

In 2019, our net cash flows generated from financing activities was RMB739.2 million, which was mainly attributable to (i) capital injection from shareholders of RMB742.2 million, and (ii) capital injection of subsidiaries from non-controlling interests of RMB9.4 million, partially offset by (i) payments of financing service expenses of RMB9.0 million, and (ii) principal elements of lease payments of RMB3.4 million.

In 2018, our net cash flows generated from financing activities was RMB118.9 million, which was mainly attributable to (i) capital injection from shareholders of RMB115.0 million, and (ii) capital injection of subsidiaries from non-controlling interests of RMB4.0 million, partially offset by principal elements of lease payments of RMB0.2 million.

## **INDEBTEDNESS**

### **Borrowings**

As of December 31, 2018, 2019, 2020, and September 30, 2021 and November 30, 2021, we did not have any bank borrowings or unutilized banking facilities.

### **Lease Liabilities**

We recognized lease liabilities of RMB8.2 million, RMB11.2 million, RMB14.7 million, RMB10.8 million and RMB92.5 million as of December 31, 2018, 2019, 2020 and September 30, 2021 and November 30, 2021, respectively, primarily attributable to our lease of office premises and plants to support our overall business growth.

### **Financial Liabilities of Redeemable Shares**

We recognized financial liabilities of redeemable shares of RMB50.7 million, RMB826.8 million, RMB1,659.2 million and nil as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively, primarily because we have completed several rounds of financing by issuing redeemable shares with redeemable rights, anti-dilution rights and liquidation preference, etc. Before the investors

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waived these terms, we recognized the obligation of redemption rights of the redeemable shares as financial liabilities at amortized cost, and financial cost is recognized in statements of comprehensive income on a time-proportion basis.

On March 30, 2021, the shareholders with redeemable shares waived redeemable rights against our Company, anti-dilution and liquidation rights pursuant to the agreement of shareholders. As a result, our Company transferred the balance of financial liabilities of redeemable shares to capital reserve and we did not have any financial liabilities of redeemable shares as of September 30, 2021. See Note 38 to the Accountant's Report in Appendix I to this prospectus.

### Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2018, 2019, 2020, and September 30, 2021 and November 30, 2021, respectively.

### Indebtedness Statement

Except as disclosed above, as of November 30, 2021, 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 November 30, 2021 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:

	Period from February 6, to December 31,	Year ended December 31,		Nine months ended September 30,
	2018	2019	2020	2021
<b>Revenue growth</b> .....	N/A	515.9%	101.8%	85.8%
Manufacturing .....	N/A	476.5%	146.3%	250.5%
Financial services .....	N/A	890.7%	243.0%	27.2%
Other industries .....	N/A	434.1%	(11.8)%	20.0%
<b>Gross margin</b> <sup>(1)</sup> .....	62.9%	31.3%	29.1%	30.9%
		As of December 31,		As of September 30,
	2018	2019	2020	2021
<b>Current ratio</b> <sup>(2)</sup> .....	3.1	6.1	6.9	8.5
<b>Quick ratio</b> <sup>(3)</sup> .....	3.0	5.9	6.6	8.3

*Notes:*

- 1 Gross margin is calculated by dividing gross profit by our revenue.
- 2 Current ratio is calculated by dividing current assets by current liabilities.
- 3 Quick ratio is calculated by dividing current assets less inventories by current liabilities.

Our current ratio increased from 6.9 as of December 31, 2020 to 8.5 as of September 30, 2021, primarily due to an increase in our current assets, including financial assets at fair value through profit or loss and trade and notes receivables. Our current ratio remained relatively stable at 6.1 as of

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December 31, 2019 and 6.9 as of December 31, 2020. Our current ratio increased from 3.1 as of December 31, 2018 to 6.1 as of December 31, 2019, primarily due to an increase in our current assets, including trade and notes receivables, inventories, and cash and cash equivalents.

Our quick ratio increased from 6.6 as of December 31, 2020 to 8.3 as of September 30, 2021, primarily due to an increase in our current assets, including financial assets at fair value through profit or loss and trade and notes receivables. Our quick ratio increased from 3.0 as of December 31, 2018 to 5.9 as of December 31, 2019, and further increased to 6.6 as of December 31, 2020, primarily due to an increase in our current assets excluding inventories, including trade and notes receivables, and cash and cash equivalents.

See “—Period-to-Period Comparison of Results of Operations—Nine Months Ended September 30, 2021 Compared with Nine Months Ended September 30, 2020”, “—Period-to-Period Comparison of Results of Operations—Year Ended December 31, 2020 Compared with Year Ended December 31, 2019” and “—Period-to-Period Comparison of Results of Operations—Year Ended December 31, 2019 Compared with Period from February 6, 2018 to December 31, 2018” in this section for a discussion of the factors affecting our results of operations during the respective periods.

### 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:

	Period from February 6, to December 31, <u>2018</u>	Year ended December 31, <u>2019</u> <u>2020</u>		Nine months ended September 30, <u>2021</u>
	(RMB in thousands)			
Purchase of property, plant and equipment . . . . .	<u>24,054</u>	<u>34,206</u>	<u>23,719</u>	<u>37,424</u>

Our capital expenditures were RMB24.1 million, RMB34.2 million, RMB23.7 million and RMB37.4 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. We expect to incur additional capital expenditures in 2021 primarily for purchase of property, plant and equipment. 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.

### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of September 30,
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	(RMB in thousands)			
Contracted but not provided for				
– Leasehold improvement . . . . .	<u>8,779</u>	<u>5,106</u>	<u>—</u>	<u>30,606</u>

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### 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 42 to 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 foreign exchange risk, cash flow and fair value interest rate 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.

#### Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. We mainly operate in the PRC with most of the transactions settled in RMB. We currently do not have a foreign currency hedging policy. However, our management monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Our exposure to foreign currency risk at December 31, 2018, 2019 and 2020 and September 30, 2021 was insignificant as each of the group entities did not hold significant assets and liabilities denominated in a currency other than its functional currency.

#### Cash Flow and Fair Value Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. We have no significant interest-bearing assets and liabilities, except for lease liabilities, financial liabilities of redeemable shares, cash and cash equivalents and restricted cash. 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.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

#### Credit Risk

We are exposed to credit risk in relation to its cash and cash equivalents and restricted cash, financial assets at fair value through profit or losses, financial assets at fair value through other comprehensive income, amounts due from related parties and trade and notes receivables and other 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.

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(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

(ii) Credit risk of trade receivables (including trade receivables due from related parties)

We have policies in place to ensure that trade 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 receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the 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, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Individually impaired trade 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 has recognized impairment losses.

For the loss allowance as of December 31, 2018, 2019 and 2020 and September 30, 2021 for trade receivables and movements in provision for impairment of trade receivables, see Note 3 to the Accountant's Report in Appendix I.

(iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties)

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables 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.

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Other receivables mainly comprise deposits, other receivables (including other receivables due from related parties). We consider the probability of default on an ongoing basis throughout each reporting 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. 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.

For notes receivables, we expect that the credit risk associated with notes receivables is considered to be low. We have assessed that the expected credit losses rate for notes receivables are immaterial under 12 months expected credit losses method, and thus the loss allowance is immaterial.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, there was no significant increase in credit risk since initial recognition, we assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

### Liquidity Risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

For the analysis of our financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, see Note 3 to the Accountant's Report in Appendix I.

### DIVIDENDS AND DIVIDEND POLICY

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. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.



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### WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus.

### DISTRIBUTABLE RESERVES

As of September 30, 2021, we did not have any distributable reserves.

### LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2021

We have prepared the following loss estimate for the year ended December 31, 2021.

Estimated consolidated loss attributable to owners of our Company for the year ended December 31, 2021 <sup>(1)</sup>	Not more than RMB654 million (approximately HK\$801 million) <sup>(2)</sup>
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*Notes:*

- (1) The bases on which the above loss estimate has been prepared are summarized in Part A of Appendix III to this prospectus. Our Directors have prepared the estimated consolidated loss attributable to owners of our Company for the year ended December 31, 2021 based on the audited consolidated results for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of our Group for the two months ended November 30, 2021 and an estimate of the consolidated results of our Group for the remaining one month ended December 31, 2021. The Loss Estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as set out in Note 2 to the Accountant's Report in Appendix I to this prospectus.
- (2) The estimated consolidated loss attributable to owners of our Company stated in RMB are converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8171. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

### 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\$107.4 million (including (i) underwriting commission of approximately RMB29.4 million, and (ii) non-underwriting related expenses of approximately RMB58.3 million, which consist of fees and expenses of legal advisors and Reporting Accountant approximately RMB39.1 million and other fees and expenses of approximately RMB19.2 million), representing approximately 9.0% of the gross proceeds from the Global Offering, (assuming an Offer Price of HK\$26.8 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option), of which approximately HK\$30.1 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity, and approximately HK\$77.3 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

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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 September 30, 2021, being the end date of the periods reported in the Accountant’s Report set out in Appendix I, and there is no event since September 30, 2021 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 discussion of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$26.8 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$26.3 and HK\$27.3 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$1,091.9 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is 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 45.0% or HK\$491.4 million, for enhancing our research and development capabilities over the next four years, including:
  - i. approximately 22.5% or HK\$245.7 million, for further enhancing our existing proprietary AI platforms and technology assets, and upgrading our ABS/RDP and industry solutions including AIInnovation Intelligent Manufacturing System (AIMS). Specifically, we intend to implement with the detailed breakdown of the proceeds to be allocated as follows:
    - approximately 8.0% or HK\$87.3 million, will be used to improve our AI platforms. In particular, we plan to allocate 3.2% or HK\$34.9 million on enhancing Runtime, Trainer and Designer components of our ManuVision platform, 2.4% or HK\$26.2 million on video encoding/decoding component, model inference component of Matrix Vision platform, and 2.4% or HK\$26.2 million on IRC, DAC and AutoML functionalities of Orion platform.

The following table sets forth the further details to the estimated use of proceeds by R&D project with nature of expenditure:

Allocation of the estimated use of proceeds	R&D project name	R&D project plan	Estimated No. of Staff to be hired
Approximately 3.2% or HK\$34.9 million	R&D of ManuVision	enhancing Runtime/	2022: 20
	Intelligent Machine Vision	Trainer/Designer	2023: 19
	Platform and relevant	components, AI algorithm	2024: 11
	applications	models, applications of our	2025: 8
		ManuVision platform	<b>Total: 58</b>
Approximately 2.4% or HK\$26.2 million	R&D of MatrixVision	enhancing video encoding/	2022: 15
	Intelligent Edge Video	decoding component,	2023: 13
	Platform and relevant	model inference	2024: 12
	applications	component, AI algorithm	2025: 11
		models, applications of MatrixVision platform	<b>Total: 51</b>
Approximately 2.4% or HK\$26.2 million	R&D of Orion Distributed	enhancing IRC/DAC/	2022: 15
	Machine Learning	AutoML functionalities, AI	2023: 13
	Platform and relevant	algorithm models and	2024: 12
	application	applications of Orion	2025: 11
		platform	<b>Total: 51</b>

## FUTURE PLANS AND USE OF PROCEEDS

In this regard, we plan to hire approximately 160 AI and software talents and industry experts for our planned enhancement or upgrade described above over the next four years, which will be 50, 45, 35 and 30 staff, respectively. We plan to supplement any shortfall in the recruitment costs with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities. The table below sets forth our recruitment plan over the next four years:

<u>Position</u>	<u>Estimated average salary per annum (HK\$ in million)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Specialist engineers					
Software engineers . . . . .	0.8	13	12	9	8
Hardware design engineers . . .	0.5	5	4	3	3
Data engineers . . . . .	0.6	6	5	5	4
Algorithm engineers . . . . .	0.8	12	11	8	6
User experience engineers . . . .	0.5	3	3	2	2
Testing engineers . . . . .	0.3	3	3	2	2
Product managers . . . . .	0.7	3	3	3	3
Researchers . . . . .	0.9	5	4	3	2
<b>Total . . . . .</b>		<b>50</b>	<b>45</b>	<b>35</b>	<b>30</b>

- approximately 7.5% or HK\$82.0 million, will be used to improve our existing ABS/RDP and industry solutions including AInnovation Intelligent Manufacturing System. In particular, we plan to allocate 3.0% or HK\$32.8 million on enhancing our Intelligent Molten Iron Transportation Solution by more intelligent environment perception sub-system, 2.25% or HK\$24.6 million on upgrading our Intelligent Engineering Radar Inspection to support more types of radar instruments and 2.25% or HK\$24.6 million on developing other ABS/RDP industry solutions. Specifically, we intend to enhance our modules in AInnovation Intelligent Manufacturing System for both operation efficiency and information intelligence.

The following table sets forth the further details by R&D project with nature of expenditure:

<u>Allocation of the estimated use of proceeds</u>	<u>R&amp;D project name</u>	<u>R&amp;D project plan</u>	<u>Estimated No. of Staff to be hired</u>
Approximately 3.0% or HK\$32.8 million	R&D of Intelligent Molten Iron Transportation	enhancing intelligent	2022: 22
		environment perception	2023: 17
		sub-system of our	2024: 12
		Intelligent Molten Iron	2025: 7
		Transportation Solution	
<b>Total: 58</b>			
Approximately 2.25% or HK\$24.6 million	R&D of Intelligent Engineering Radar Inspection	upgrading to support more	2022: 13
		types of radar instruments	2023: 11
		of our Intelligent	2024: 11
		Engineering Radar	2025: 11
		Inspection	
<b>Total: 46</b>			

## FUTURE PLANS AND USE OF PROCEEDS

Allocation of the estimated use of proceeds	R&D project name	R&D project plan	Estimated No. of Staff to be hired
Approximately 2.25% or HK\$24.6 million	Development of central control system based on AI-based IoT for automated transportation robots	enhancing the capabilities of a central control system that supports more transportation robots	2022: 13 2023: 11 2024: 11 2025: 11
			<b>Total: 46</b>

In this regard, we plan to hire approximately 150 AI and software talents and industry experts for our planned enhancement or upgrade described above over the next four years, which will be 48, 39, 34 and 29 staff, respectively. We plan to supplement any shortfall in the recruitment costs with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities.

The table below sets forth our recruitment plan over the next four years:

<u>Position</u>	<u>Estimated average salary per annum (HK\$ in million)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Specialist engineers					
Software engineers . . . . .	0.8	12	10	9	7
Hardware design engineers . . . . .	0.5	5	4	3	3
Data engineers . . . . .	0.6	6	5	5	4
Algorithm engineers . . . . .	0.8	11	9	7	6
User experience engineers . . . . .	0.5	3	2	2	2
Testing engineers . . . . .	0.3	3	2	2	2
Product managers . . . . .	0.7	3	3	3	3
Researchers . . . . .	0.9	5	4	3	2
<b>Total . . . . .</b>		<b>48</b>	<b>39</b>	<b>34</b>	<b>29</b>

- approximately 7.0% or HK\$76.4 million, will be used to outsource technical services in non-critical R&D activities, such as software and hardware design development. Historically, we have engaged such suppliers on contract basis in three main areas: (i) technician personnel, (ii) software application development, and (iii) data labeling. See “Business – Research and Development.” We intend to continue engaging such suppliers for non-critical R&D tasks, so as to enhance our cost effectiveness and delivery efficiency, and the estimated expenditure per annum are at HK\$58.0 million, HK\$62.0 million, HK\$70.0 million and HK\$74.0 million, respectively over the next four years. We plan to supplement any shortfall in such expenditure with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities.
- ii. approximately 22.5% or HK\$245.7 million, for developing new functionalities on our AI-based platforms, expanding our technology capabilities, and creating new ABS/RDP and solution offerings, including PaaS, SaaS, software and cloud-based

## FUTURE PLANS AND USE OF PROCEEDS

products. Specifically, we intend to implement with the detailed breakdown of the proceeds to be allocated as follows:

- approximately 12.0% or HK\$131.0 million, will be used to develop new ABS/RDP and solution offerings, including PaaS, SaaS, software for subscription and cloud-based products. In particular, we plan to allocate 3.6% or HK\$39.3 million on developing open ecosystems for ManuVision and MatrixVision; 3.6% or HK\$39.3 million on providing license-based and subscription-based ManuVision and MatrixVision capabilities to our customers in four years; and 2.4% or HK\$26.2 million on upgrading our existing ABS/RDP in Paas/SaaS service mode to medium/small size enterprise customers. In addition, we plan to allocate 2.4% or HK\$26.2 million on developing our industry cloud technology platform.

The following table sets forth the further breakdown of proceeds by R&D project with nature of expenditure:

Allocation of the estimated use of proceeds	R&D project name	R&D project plan	Estimated No. of Staff to be hired
Approximately 3.6% or HK\$39.3 million	R&D of cloud-based ManuVision and MatrixVision platforms for open ecosystems	developing open ecosystems for ManuVision and MatrixVision	2022: 24
			2023: 22
			2024: 15
			2025: 10
			<b>Total: 71</b>
Approximately 3.6% or HK\$39.3 million	R&D of license-based ManuVision and MatrixVision platforms for subscription	providing license-based and subscription-based ManuVision and MatrixVision capabilities to our customers	2022: 24
			2023: 22
			2024: 15
			2025: 10
			<b>Total: 71</b>
Approximately 2.4% or HK\$26.2 million	R&D of PaaS/SaaS mode of ABS	upgrading our existing ABS/RDP in Paas/SaaS service mode to medium/small size enterprise customers	2022: 16
			2023: 14
			2024: 9
			2025: 9
			<b>Total: 48</b>
Approximately 2.4% or HK\$26.2 million	R&D of industry cloud platform supporting big data analytics with AI technology	developing our industry cloud technology platform	2022: 14
			2023: 14
			2024: 12
			2025: 10
			<b>Total: 50</b>

In this regard, we plan to hire approximately 240 AI and software talents and industry experts for our planned enhancement and upgrade described above over the next four years, which will be 78, 72, 51 and 39, respectively. We plan to supplement any shortfall in the recruitment costs with internal resources, having considered the available financial resources, including our cash and cash



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## FUTURE PLANS AND USE OF PROCEEDS

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equivalents as of November 30, 2021, and the cashflow from our operating activities.

The table below sets forth our recruitment plan over the next four years:

<u>Position</u>	<u>Estimated Average salary per annum (HK\$ in million)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Specialist engineers					
Software engineers . . . . .	0.8	15	15	12	8
Hardware design engineers . . . . .	0.5	9	9	4	4
Data engineers . . . . .	0.6	9	9	8	4
Algorithm engineers . . . . .	0.8	18	16	8	6
User experience engineers . . . . .	0.5	6	5	4	4
Testing engineers . . . . .	0.3	7	5	4	4
Product managers . . . . .	0.7	5	5	5	5
Researchers . . . . .	0.9	9	8	6	4
<b>Total</b> . . . . .		<u><b>78</b></u>	<u><b>72</b></u>	<u><b>51</b></u>	<u><b>39</b></u>

- approximately 7.5% or HK\$82.0 million, will be used to expand our technology research capabilities. In particular, we plan to research cutting-edge AI technologies including self-supervised contrastive learning, few-shot learning (FSL), multi-object tracking, low-power deep learning in computer vision, and multimodal machine learning (MML). As the training of such AI algorithm models require huge computing power, we intend to allocate 2.0% or HK\$21.9 million on building a dedicated high performance computing power pool, which include the procurement of approximately 500 AI accelerator chips and 60 high performance servers over the next four years. The cost of such server is estimated at HK\$ 1.0 million, and we plan to supplement any shortfall in the procurement costs with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities. Such computing power pool shall be able to manage and monitor all underlying computing power to perform the designated tasks in training our algorithm models. Further, the management system of such a computing power pool will provide a flexible and user friendly platform to manage and monitor, which will enhance the utilization of our computing resources.

## FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the further breakdown of proceeds by nature of expenditure in relation to building a dedicated high performance computing power pool:

Allocation of the estimated use of proceeds	Nature of expenditure	Estimated cost per unit (HK\$ in million)	Estimated number of hardware equipment	Estimated total cost of hardware / service (HK\$ in million)
Approximately 1.6% (approximately HK\$17.5 million)	Procurement of high performance servers <sup>(1)</sup>	1.0	2022: 11	2022: 11.0
			2023: 13	2023: 13.0
			2024: 16	2024: 16.0
			2025: 20	2025: 20.0
			<b>Total: 60</b>	<b>Total: 60.0</b>
Approximately 0.2% (approximately HK\$2.2 million)	Procurement of IT storage servers	0.5	2022: 3	2022: 1.5
			2023: 3	2023: 1.5
			2024: 5	2024: 2.5
			2025: 5	2025: 2.5
			<b>Total: 16</b>	<b>Total: 7.9</b>
Approximately 0.1% (approximately HK\$1.1 million)	Procurement of network safety equipment	0.2	2022: 6	2022: 1.1
			2023: 7	2023: 1.3
			2024: 8	2024: 1.4
			2025: 10	2025: 1.8
			<b>Total: 31</b>	<b>Total: 5.6</b>
Approximately 0.1% (approximately HK\$1.1 million)	Procurement of data center server services	0.04	N/A	2022: 0.6
				2023: 0.7
				2024: 0.9
				2025: 1.0
				<b>Total: 3.1</b>

*Note:*

(1) Each high performance server can accommodate approximately eight AI accelerator chips.

In addition, we plan to allocate 5.5% or HK\$60.1 million on hiring approximately 70 AI experts and talents for our planned AI technologies described above over the next four years, which will be 24, 24, 12 and 10 staff, respectively. We plan to supplement any shortfall in the recruitment costs with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities. The table below sets forth our recruitment plan over the next four years:

<u>Position</u>	<u>Estimated average salary per annum (HK\$ in million)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Scientists .....	1.2	9	9	4	4
Researchers .....	0.9	15	15	8	6
<b>Total</b> .....		<b>24</b>	<b>24</b>	<b>12</b>	<b>10</b>

- approximately 3.0% or HK\$32.7 million, will be used to expand our Scientific Research Committee. In particular, we plan to attract approximately 15 additional world renowned AI researchers and scientists to join our Scientific Research Committee. According to Frost & Sullivan, as of 2020, there are approximately over 4,000 world renowned AI researchers and scientists in the world.

## FUTURE PLANS AND USE OF PROCEEDS

- Approximately 25.0% or HK\$272.9 million, for enhancing our commercialization capabilities over the next four years. We plan to expand our in-house sales team and strengthen our cooperation with third-party system integrators and business partners such as joint ventures and strategic alliance. We will penetrate into more geographic regions, more industries and verticals where we believe there is significant unmet demand for our AI solutions. Specifically, we intend to implement with the detailed breakdown of the proceeds to be allocated as follows:
  - approximately 10.0% or HK\$109.2 million, will be used to hire approximately 400 additional sales personnel with competitive remuneration, to strengthen our sales network to help further increase market penetration through our 15 sales subsidiaries located in 11 cities and expand existing customer base in manufacturing and financial services industries as well as expand our footprints in China to cover more cities. We intend to hire 30, 80, 120 and 160 sales staff over the next four years. We plan to supplement any shortfall in the recruitment costs with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities. The table below sets forth our recruitment plan over the next four years:

<u>Position</u>	<u>Estimated average salary per annum (HK\$ in million)</u>	<u>Estimated number of staff to be hired</u>			
		<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Sales personnel . . . . .	0.5 - 1.4	30	80	120	160

According to Frost & Sullivan, there are plenty of sales personnel that have basic understanding on AI, meeting the demand of AI companies to expand their business footprint; and

- approximately 15.0% or HK\$163.7 million, will be used to strengthen our cooperation with third-party system integrators and business partners in the form of joint ventures. During the Track Record Period, we successfully established joint ventures with industry leaders in manufacturing industry with capital injections of RMB5.1 million each, and collaborated with third-party system integrators to serve end-users in manufacturing and financial services industries. One of such joint ventures, namely CISAI Tech, we established in partnership during the Track Record Period with CISDI Group, which is a system integrator. In addition, we acquired 45% non-controlling interests in RewinCloud at a total consideration of approximately RMB124.0 million. We believe the strengthened cooperation with business partners and third-party system integrators through joint ventures or strategic alliance could help further execute our go-to-market strategy and allow us to gain industry insights in industry verticals, which are of significant benefits for the development of our AI-based products and solutions and business growth. According to Frost & Sullivan, it is a common practice for AI companies to cooperate with third-party system integrators and business partners to expand their businesses, and there are also plenty of third party system integrators in the market that have the capabilities to provide such services. We consider a few criteria when pursue suitable targets including, among others, (i) third-party system integrators that have strong end-user resources and established information technology or software sales network; and (ii) business partners that have in-depth industry expertise that is complementary and synergetic to our AI-based product and solution offerings. As of the Latest Practicable Date, we had not identified any potential

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## FUTURE PLANS AND USE OF PROCEEDS

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joint venture partners as it takes time for us to collect business intelligence, conduct initial due diligence and evaluate the suitability of potential targets.

- Approximately 10.0% or HK\$109.2 million, for potential strategic investments and acquisitions over the next five years. We plan to acquire assets and businesses via equity investments or asset acquisitions that will strengthen our value propositions to our customers, such as those with business focus in differentiated proprietary insights in computer vision and deep learning technologies, as well as software or SaaS products that could be complementary to our AI-based offerings. Specifically, we plan to pursue suitable targets in China which meets the following criteria: (i) proven monetization models in the Enterprise AI market to broaden our customer base; (ii) software or SaaS products in manufacturing or financial services industries that could be complementary to our AI-based product and solution offerings; and (iii) cutting-edge technologies in AI and applications for specific industry verticals such as machine learning, 3D technologies based on computer vision, robotic arm logic control algorithm and other technologies related to our core business that would enhance our AI platforms.

Our Directors believe that there is a sufficient number of potential targets we could choose from. According to Frost & Sullivan, there are more than 300 potential acquisition and investment targets in AI and SaaS industry in China that provide manufacturing focused or financial focused solutions in China in 2020, that could be the targets of potential strategic investments and acquisitions for us. We determined the amount of allocated net proceeds for these purposes based on our past transactions and estimation of future market condition. As at December 31, 2020, we acquired 45% non-controlling interests in RewinCloud at a total consideration of approximately RMB124.0 million. During the Track Record Period, we established two joint ventures with capital injections of RMB5.1 million each.

We intend to invest in targets located in China. We seek to invest as the majority stakeholder in joint ventures, as it commits significant resources in R&D to develop products and solutions. Further, our investment into such joint ventures is by capital injection, and thus cost breakdown by nature would not be applicable. In relation to potential acquisition of businesses, it would also be by equity and we seek to hold majority shareholding (more than 50% equity), though it would remain subject to commercial negotiation. As of the Latest Practicable Date, we had not identified or pursued any acquisition target or potential JV partnership.

- Approximately 10.0% or HK\$109.2 million, for enhancing our internal system and upgrading our information infrastructure over the next four years. Specifically, we plan to enhance our IT systems by strengthening computing power and storage capabilities as follows and any shortfall in the procurement costs will be supplemented with internal resources, having considered the available financial resources, including our cash and cash equivalents as of November 30, 2021, and the cashflow from our operating activities:
  - i. approximately 8.0% (approximately HK\$87.3 million) on procuring advanced servers, efficient hardware equipment and software license. Specifically, we intend to implement with the detailed breakdown of the proceeds to be allocated as follows:
    - approximately 3.0% (approximately HK\$32.7 million) to purchase an average of approximately 30 advanced servers to upgrade our CPU/GPU computing power per year to enhance the efficiency of our algorithms training process, and the cost for an advanced server is estimated at HK\$0.96 million;

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately 1.6% (approximately HK\$17.5 million) on purchasing an average of approximately 35 IT storage facilities per year for storage of business data and the data for algorithm training, and the cost for a IT storage facility is estimated at HK\$0.4 million;
  - approximately 1.3% (approximately HK\$14.2 million) on purchasing an average of approximately 70 network safety equipment per year to enhance the data security and safety level, and the cost for a network safety equipment is estimated at HK\$0.2 million;
  - approximately 1.3% (approximately HK\$14.2 million) on purchasing an average of approximately 60 virtualization software and SaaS solutions on customer relationship management and enterprise resource management per year, which will further improve the efficiency of our information management, and the cost for a virtualization software and SaaS solution is estimated at HK\$0.2 million and HK\$0.7 million, respectively; and
  - approximately 0.8% (approximately HK\$8.7 million) on procuring an average of approximately 155 leases of data center server service and internet bandwidth service per year to support the increased hardware equipment and facilities as detailed above, and the cost for a lease of data center server service is estimated at HK\$6.0 million per year;
- ii. approximately 2.0% (approximately HK\$21.9 million) on our internal systems to improve our internal information management and to enhance data privacy protocols and information security management. Specifically, we intend to implement with the detailed breakdown of the proceeds to be allocated as follows:
- approximately 1.5% (approximately HK\$16.4 million) on procuring security hardware, security software, third-party security advisory services, and the costs for one system are estimated at HK\$1.2 million, HK\$0.8 million, HK\$0.4 million and HK\$12.0 million, respectively. Given that we intend to establish five internal information management systems, the estimated costs in aggregate are HK\$12.0 million per annum; and
  - approximately 0.5% (approximately HK\$5.5 million) on procuring external security services provider to review the holistic performance of our overall IT infrastructure, including cybersecurity, network, and information system;
- Approximately 10.0% or HK\$109.2 million, for working capital and general corporate use.

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\$21.7 million and HK\$21.7 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 the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK\$174.5 million for 6,711,600 Offer Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$26.8 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and

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## **FUTURE PLANS AND USE OF PROCEEDS**

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commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

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 and to the extent permitted by the relevant laws and regulations, we only intend to place such proceeds in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China.



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## UNDERWRITING

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### HONG KONG UNDERWRITERS

UBS AG Hong Kong Branch

China International Capital Corporation Hong Kong Securities Limited

China Renaissance Securities (Hong Kong) Limited

ICBC International Securities Limited

Shanxi Securities International Limited

Eddid Securities and Futures Limited

Lu International (Hong Kong) Limited

Futu Securities International (Hong Kong) Limited

Livermore Holdings Limited

Tiger Brokers (HK) Global Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. 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 4,474,600 Hong Kong Offer Shares and the International Offering of initially 40,269,800 International Offer Shares, subject to, in each case, reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as the Over-allotment Option (applicable only to the International Offering).

### UNDERWRITING ARRANGEMENTS

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

We have entered into the Hong Kong Underwriting Agreement with, among others, the Hong Kong Underwriters on January 14, 2022. Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on, and subject to, the terms and conditions set out in this prospectus, the Hong Kong Underwriting Agreement and the **GREEN** Application Form.

Subject to (a) the Stock Exchange granting listing of, and permission to deal in, our H Shares in issue to be issued pursuant to the Global Offering (including additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange, and the listing and permission not having been revoked; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally (but not jointly) to subscribe for, or procure subscribers for, their respective applicable proportions of

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## UNDERWRITING

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the Hong Kong Offer Shares being offered but which are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Hong Kong Underwriting Agreement and the **GREEN** Application Form.

If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been entered into, becoming unconditional and not having been terminated.

### ***Grounds for Termination***

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), can, in their sole and absolute discretion, by giving a written notice to us, to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date if any of the following events shall occur prior to such time:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any event or a series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labor disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, calamity, 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 Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, Japan or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”); or
  - (ii) 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, 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 inter-bank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
  - (iii) 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

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## UNDERWRITING

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Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange; or

- (iv) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdictions; or
- (v) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent authority in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of comprehensive 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 jurisdiction relevant to the business operations of any member of our Group; or
- (vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, 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 any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or
- (viii) other than with the prior written consent of the Joint Sponsors and the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus, the **GREEN** Application Form, offering circular 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; or
- (ix) any valid demand by creditors for repayment of indebtedness or an order or petition for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director; or
- (xi) any contravention by any member of the Group or any Director of any applicable laws and regulations, including the Listing Rules, the PRC Company Law and the Special Regulations; or

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## UNDERWRITING

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- (xii) any Director or any member of the senior management of the Company vacating his or her office; or
- (xiii) any Director, Supervisor or member of senior management of the Company is being charged with an indictable offense or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiv) any non-compliance of the Hong Kong 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
- (xv) any change or prospective change or development, or a materialization of, any of the risks set out in section headed “Risk Factors” in the Hong Kong Prospectus,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholder’s equity, profit, losses, earnings, results of operations, performance, position or condition, financial, operational or otherwise, of our Group as a whole; or (B) has or will have or is likely to 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; or (C) makes or will make or is likely to make it impracticable or inadvisable 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, the **GREEN** Application Form, the formal notice, 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 our Company in connection with the Global Offering (including any supplement or amendment thereto (the “**Offer Related Documents**”)); or (D) has or will or is likely to 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

- (b) there comes to the notice of the Joint Global Coordinators that:
  - (i) any statement contained in the Offer Related Documents issued or used (by or on behalf of our Company) in connection with the Global Offering (including any supplement or amendment thereto but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incomplete, incorrect, inaccurate in any material respects or misleading or deceptive, or any forecast, estimate, expression of opinion, intention or expectation in any such documents is not fair and honest and based on reasonable grounds or reasonable assumptions taken as a whole; or
  - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong Prospectus, constitute a material omission from any of the Offer Related Documents; or

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## UNDERWRITING

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- (iii) 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 Company or any of the Single Largest Shareholders in Hong Kong Underwriting Agreement, the International Underwriting Agreement or the deed of lock-up undertaking entered into by the Single Largest Shareholders Group (including any supplement or amendment thereto), as applicable; or
- (iv) there is a material breach of any of the obligations imposed upon our Company or the Single Largest Shareholders under the Hong Kong Underwriting Agreement, the International Underwriting Agreement or the deed of lock-up undertaking entered into by the Single Largest Shareholders Group (including any supplement or amendment thereto), as applicable; or
- (v) there is an event, act or omission which gives or is likely to give rise to any liability of our Company or any member of the Single Largest Shareholders Group pursuant to the indemnities given by our Company and the Single Largest Shareholders Group under the Hong Kong Underwriting Agreement, the International Underwriting Agreement or the deed of lock-up undertaking entered into by the Single Largest Shareholders Group, as applicable; or
- (vi) 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, results of operations, performance, position or condition, financial, operational or otherwise, of our Group as a whole; or
- (vii) the approval by the Listing Committee of the listing of, and the permission to deal in, our H Shares to be issued pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld; or
- (viii) any of the experts named in the prospectus (except the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of their reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which they respectively appear; or
- (ix) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (x) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (xi) there is the commencement by any governmental, political or regulatory body of any investigation or other action (including but not limited to designating as a Chinese Military Industrial Complex company or adding to the Non-SDN Chinese Military-Industrial Complex Companies List) against any Director or member of senior management of our Company in his or her capacity as such or any member of our Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

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## UNDERWRITING

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- (xii) a material portion of the orders placed or confirmed in the book-building process, or of the investment commitments made by any Cornerstone Investors under agreements signed with such Cornerstone Investors, has been withdrawn, terminated or canceled.

### ***Indemnity***

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### **The Hong Kong Underwriters' Interests in Us**

Save for their respective obligations under the Hong Kong Underwriting Agreement and as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested directly or indirectly in any H Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or any securities of any member of our Group.

The Hong Kong Underwriters and their affiliates may, subject to applicable laws and regulations and in their ordinary and usual course of business, (i) provide financing in connection with the subscription for, or purchase of, our securities with security interests over all or part of such securities subscribed or purchased, and/or (ii) participate in or facilitate the subscription for, or purchase of, our securities.

### **Lock Up Arrangement**

#### ***Undertakings given by us to the Hong Kong Stock Exchange Pursuant to the Listing Rules***

##### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not exercise our power to issue further H Shares, or securities convertible into H Shares (whether or not of a class already listed), or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of H Shares or securities will be completed within six months from the Listing Date) except the Offer Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

##### *Undertakings by the Single Largest Shareholders Group*

Pursuant to Rule 10.07(1) of the Listing Rules, each member of our Single Largest Shareholders Group has undertaken to the Stock Exchange and to the Company that, he/she shall not and shall procure that the relevant registered holder(s) shall not, in the period commencing on the date by reference to which disclosure of his/her shareholding in the Company is made in this prospectus and ending on the date which is six months 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 securities in respect of which he/she is shown by this prospectus to be the beneficial owner(s).



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## UNDERWRITING

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Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent a member of the Single Largest Shareholders Group from using the H Shares beneficially owned by 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.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each member of the Single Largest Shareholders Group has further undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its/his/her shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, he/she shall:

- (i) when it/he/she pledges or charges any securities of the Company beneficially owned by it/him/her 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 pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge/charge together with the number of securities so pledged/charged; and
- (ii) when it/he/she receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities of the Company will be disposed of, immediately inform the Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any member of the Single Largest Shareholders Group and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

### *Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to (except for the offer, sale and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), without the prior written consent of the Joint Global Coordinators (for themselves or on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if required) has been obtained):

- (a) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell any option, warrant, contract or right to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other equity securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any H Shares or any other equity securities of our Company), or deposit any of the foregoing with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any

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## UNDERWRITING

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H Shares or any other equity securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any H Shares or any other equity securities of our Company); or

- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or
- (d) offer to or contract to or agree to announce or publicly disclose that our Company will or may enter into such transaction described in paragraph (a), (b) or (c) above,

in each case, whether the transaction is to be settled by delivery of H Shares or such other equity securities of our Company or in cash or otherwise (whether or not the allotment or issue of H Shares or such other equity securities of our Company will be completed within the First Six-month Period).

In the event that, during the period of six months immediately following the First Six-month Period (the “**Second Six-month Period**”), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transaction, our Company will take all reasonable steps to ensure it will not create a disorderly or false market in the H Shares or any other securities of our Company.

### ***Undertakings by the Single Largest Shareholders Group pursuant to the Deed of Lock-up***

#### ***Undertaking***

Pursuant to a deed of lock-up undertaking dated January 13, 2022, each of the members of the Single Largest Shareholders Group has severally (not jointly) undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) at any time during the period commencing on the date of the deed of lock-up undertaking, and ending on last date of the First Six-Month Period, it/he/she will not:
  - (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer, dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the H Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company, as applicable) held by or beneficially owned by it/him/her as at the Listing Date as shown in this prospectus (the “**Locked-up Shares**”); or
  - (ii) 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 Shares; or

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## UNDERWRITING

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- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
  - (iv) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above, in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such H Shares or other securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such H Shares or other securities will be completed within the First Six-Month Period);
- (b) at any time from the date of deed of lock-up undertaking up to and including the date falling 12 months after the Listing Date, it/he/she will:
- (i) if and when it/he/she or the relevant registered holder(s) pledges or charges any H Shares or other securities of our Company beneficially owned by it/him/her, immediately inform our Company, the Joint Sponsors and the Joint Global Coordinators in writing of such pledge or charge together with the number of H Shares or other securities (or interests therein) of our Company so pledged or charged; and
  - (ii) if and when it/he/she or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged H Shares or other securities (or interests therein) of our Company will be disposed of, immediately inform our Company, the Joint Sponsors and the Joint Global Coordinators in writing of such indications.

### **International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally (but not jointly) agree to purchase or procure purchasers for the International Offer Shares initially offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on grounds similar to those contained in the Hong Kong Underwriting Agreement. Please see the section headed “Structure of the Global Offering — The International Offering” for further details.

#### ***Over-allotment Option***

We intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part, at the sole and absolute discretion of the Joint Global Coordinators on behalf of the International Underwriters from (a) the Listing Date until (b) 30 days from the last day permitted for the making of applications under the Hong Kong Public Offering, pursuant to which we may be required to allot and issue up to an aggregate of 6,711,600 additional H Shares, representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any. Please see the section headed “Structure of the Global Offering — Over-allotment Option” for further details.

### **COMMISSION AND EXPENSES**

The Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price of all the Hong Kong Offer Shares (as adjusted for any reallocation pursuant to the Hong Kong Underwriting Agreement), out of which they will pay any sub-underwriting commission. The

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## UNDERWRITING

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Hong Kong Underwriters may receive a discretionary incentive fee of up to 0.5% of the aggregate Offer Price of all the Hong Kong Offer Shares (as adjusted for any reallocation pursuant to the Hong Kong Underwriting Agreement). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

In respect of the International Offering, the Company expects to pay an underwriting commission equal to 3% and may pay a discretionary incentive fee of up to 0.5% of the aggregate Offer Price payable in respect of all International Offer Shares (including any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering).

The sponsor's fees payable to the Joint Sponsors are US\$1,500,000 in aggregate.

The aggregate of the underwriting commission, the discretionary fee and the estimated expenses, together with the listing fee, the SFC transaction levy, the FRC transaction levy, the Stock Exchange trading fee, the brokerage fee, the legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to be about HK\$112.8 million (on the assumption that the Over-allotment Option will be exercised in full and based on an Offer Price of the mid-point of the Offer Price Range) and will be paid by us.

### INDEMNITY

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

### HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus (including Appendix VII to this prospectus), none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of the members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group in the Global Offering.

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.

### ACTIVITIES BY UNDERWRITERS

Each of the Underwriters and their respective affiliates may individually undertake a variety of activities which do not form part of the underwriting or stabilizing process.

The Underwriters and their respective 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 business activities, the Underwriters 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. These investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons

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## UNDERWRITING

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and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to our H Shares, the activities of the Underwriters and their respective affiliates may include acting as agent for buyers and sellers of our H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of our H Shares (whose financing may be secured by our H Shares) in the Global Offering, proprietary trading in our H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our H Shares, which may have a negative impact on the trading price of our H Shares. All such activities may take place in Hong Kong and elsewhere in the world and may result in the Underwriters and their respective affiliates holding long and/or short positions in our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having our H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock 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 our H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering”. Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters and their respective affiliates will be subject to certain restrictions, including the following:

- (a) the Underwriters and their respective affiliates (other than the Stabilizing Manager 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 Underwriters and their respective affiliates 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.

Some of the Underwriters or their respective affiliates have provided from time to time, and are expected to provide to our Group investment banking and other services in the future for which the Underwriters or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Underwriters or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

The listing of our H Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange as described in this prospectus.

The Global Offering consists of (subject to reallocation and the Over-allotment Option as described below):

- (a) the Hong Kong Public Offering of initially 4,474,600 H Shares as described below under “— The Hong Kong Public Offering”; and
- (b) the International Offering of initially 40,269,800 H Shares (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors in Hong Kong) in offshore transactions in reliance on Regulation S, as described below under the subsection headed “— The International Offering”.

Investors may either:

- (a) apply for our H Shares under the Hong Kong Public Offering; or
- (b) apply for or indicate an interest, if qualified to do so, for our H Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 8.0% of the total H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 9.1% of the total H Shares in issue immediately following the completion of the Global Offering.

### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters) on or around the Price Determination Date and subject to the other conditions set out in the subsection headed “— Conditions of the Hong Kong Public Offering”.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting”.



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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### *Number of H Shares Initially Offered*

We are initially offering 4,474,600 H Shares at the Offer Price for subscription by the public in Hong Kong, representing approximately (i) 10.0% of the 44,744,400 H Shares initially made available under the Global Offering and (ii) 8.0% of the total H Shares in issue immediately following the completion of the Global Offering (subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming the Over-allotment Option is not exercised).

#### *Allocation*

Allocation of H 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. The allocation of Hong Kong Offer Shares 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 Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: Pool A and Pool B.

- **Pool A:** 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 a total price of HK\$5 million or less (excluding the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee).
- **Pool B:** 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 a total price of more than HK\$5 million and up to the total value of Pool B (excluding the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee).

For the purpose of the immediately preceding paragraph only, the “price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

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 2,237,300 Hong Kong Offer Shares (being 50% of the H Shares initially made available under the Hong Kong Public Offer) will be rejected.

#### *Reallocation*

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment under the Listing Rules. Paragraph 4.2 of Practice Note

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## STRUCTURE OF THE GLOBAL OFFERING

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18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering when certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of the reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 13,423,300 Offer Shares (approximately 30% in the case of (a)), 17,897,800 Offer Shares (approximately 40% in the case of (b)) and 22,372,200 Offer Shares (approximately 50% in the case of (c)) (of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option)). In each case, the number of Offer Shares to be allocated to the International Offering will be correspondingly reduced and the additional Offer Shares will be allocated between Pool A and Pool B in such manner as the Joint Global Coordinators deem appropriate.

The Joint Global Coordinators 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 in accordance with Guidance Letter HKEX-GL91-18 as follows:

If: (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 oversubscribed by less than 15 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 (or no higher than) the Minimum Offer Price, up to 4,474,200 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 8,948,400 Offer Shares, representing approximately but no more than 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, in such proportions as the Joint Global Coordinators may, in their sole and absolute discretion, determine.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or some unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators may, in their sole and absolute discretion, determine.

### *Applications*

Each applicant under the Hong Kong Public Offering must give an undertaking and confirmation in the application submitted by that applicant that he/she/it and any person(s) for whose benefit the applicant 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 International Offer Shares under the International Offering, and that applicant's application is liable to be rejected if either or both of the

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## STRUCTURE OF THE GLOBAL OFFERING

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undertaking and confirmation are breached or untrue (as the case may be) or the applicant has been or will be placed or allocated International Offer Shares under the International Offering.

### THE INTERNATIONAL OFFERING

#### *Number of H Shares Initially Offered*

We are initially offering 40,269,800 H Shares at the Offer Price for subscription or sale under the International Offering, representing approximately 90.0% of the 44,744,400 H Shares initially made available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of H Shares initially offered under the International Offering will represent approximately 7.2% of the total H Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

#### *Allocation*

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States 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 that regularly invest in shares and other securities.

Allocation of Offer Shares under the International Offering will be effected in accordance with the “book-building” process described in the subsection headed “— Pricing — Determining the Offer Price” and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that that investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. This basis of allocation is intended to result in a distribution of the Offer Shares which is likely to lead to the establishment of a solid and stable professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require an investor who has been offered (or has indicated an interest for) 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 Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

#### *Reallocation*

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement and/or any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering as described in the subsection headed “— The Hong Kong Public Offering — Reallocation”, and the exercise of the Over-allotment Option in whole or in part as described in the subsection headed “— Over-allotment Option”.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING

#### *Offer Price Range*

The Offer Price will be not more than HK\$27.30 per H Share and is expected to be not less than HK\$26.30 per H Share, unless otherwise announced, as explained below.

#### *Price Payable on Application*

Applicants for Hong Kong Offer Shares must pay, on application, the Maximum Offer Price per Hong Kong Offer Share plus the brokerage fee of 1.0%, the SFC transaction levy of 0.0027%, the FRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005%, amounting to a total of HK\$2,757.51 for one board lot of 100 H Shares. **Applicants 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 Minimum Offer Price.**

If the Offer Price is less than the Maximum Offer Price, appropriate refund payments (including the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants. Please see the section headed “How to Apply for the Hong Kong Offer Shares — Refund of Application Monies”.

#### *Determining the Offer Price*

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective 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, but to cease on or around, the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, January 20, 2022 and in any event, no later than Sunday, January 23, 2022.

#### *Reduction in Offer Price Range and/or Number of Offer Shares*

The Joint Global Coordinators (on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with our consent, reduce the Offer Price Range and/or the number of Offer Shares below that stated in this prospectus at any time on or before the morning of the last day for making applications under the Hong Kong Public Offering. In this case, we will as soon as practicable after the decision to make the reduction (and no later than the morning of the last day for making applications under the Hong Kong Public Offering) publish on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.ainnovation.com](http://www.ainnovation.com) notice of the reduction. This notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as set out in this prospectus, as well as any other financial information which may change as a result of the reduction.

We will, as soon as practicable following the decision to make the reduction, in addition to publishing the notice, issue a supplemental prospectus containing details in relation to the change in

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## STRUCTURE OF THE GLOBAL OFFERING

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the number of Offer Shares being offered and/or the Offer Price Range, extend the period under which the Hong Kong Public Offering would be opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for any Hong Kong Offer Shares to confirm their applications in light of the change. If the number of Offer Shares and/or the indicative Offer Price Range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Upon the issue of the notice and supplemental prospectus, the revised number of Offer Shares and/or the revised Offer Price Range will be final and conclusive, and the Offer Price, if agreed upon between us and the Joint Global Coordinators (on behalf of the Underwriters) will be determined within the revised Offer Price Range.

Before making applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price Range and/or number of Offer Shares may not be made until the day which is the last day for making applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering will not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

In the absence of a notice of reduction, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon between us and the Joint Global Coordinators (on behalf of the Underwriters), will not be set outside the indicative Offer Price Range.

### *Announcement of the Offer Price and Basis of Allocations*

The Offer Price, level of applications in the Hong Kong Public Offering, level of indications of interest in the International Offering, and basis of allocations of the Hong Kong Offer Shares are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for the Hong Kong Offer Shares — Publication of Results”.

### **OVER-ALLOCATION**

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover the over-allocation by exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, we may grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators in their sole and absolute discretion on behalf of the International Underwriters.

Pursuant to the Over-allotment Option (if granted), the International Underwriters have the right, exercisable by the Joint Global Coordinators (in their sole and absolute discretion on behalf of

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## STRUCTURE OF THE GLOBAL OFFERING

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the International Underwriters) at any time from the Listing Date until 30 days from the last day for the making of applications under the Hong Kong Public Offering (being the last day for the exercise of the Over-allotment Option, which is Saturday, February 19, 2022), to require us to allot and issue up to 6,711,600 additional Offer Shares representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.2% of the total number of H Shares in issue immediately following completion of the Global Offering and the exercise of the Over-allotment Option. We will make an announcement if the Over-allotment Option is exercised.

### 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. These transactions may be effected in jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws and regulatory requirements, including those in Hong Kong. In Hong Kong, the price at which stabilization is effected cannot exceed the offer price of shares.

In connection with the Global Offering, the Stabilizing Manager (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 our H Shares at a level higher than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilizing Manager to conduct any stabilizing activity. Stabilizing actions, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as being in our best interest, (b) may be discontinued at any time and (c) is required to end within 30 days of the last day for making applications under the Hong Kong Public Offering.

Stabilizing activities permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (b) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (c) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b), (d) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (e) selling or agreeing to sell our H Shares to liquidate a long position held as a result of those purchases and (f) offering or attempting to do anything described in (b), (c), (d) or (e).

Specifically, applicants for and investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager (or any person acting for it) may maintain a long position in our H Shares;



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## STRUCTURE OF THE GLOBAL OFFERING

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- (b) the size of the long position, and the period for which the Stabilizing Manager (or any person acting for it) will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;
- (c) liquidation of any long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of our H Shares;
- (d) stabilizing action by the Stabilizing Manager (or any person acting for it) is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the Listing Day and ends on Saturday, February 19, 2022 (being the 30th day after the last day for making applications under the Hong Kong Public Offering). As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period;
- (e) stabilizing activities by the Stabilizing Manager (or any person acting for it) may stabilize, maintain or otherwise affect the market price of our H Shares. This means the price of our H Shares may be higher than the price that otherwise might exist in the open market;
- (f) there is no assurance that the price of our H Shares can stay at or above the Offer Price by the taking of any stabilizing action either during or after the stabilizing period; and
- (g) bids for or market purchases of our H Shares by the Stabilizing Manager (or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

We will make an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) within seven days of the expiration of the stabilizing period.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional on:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange as described in this prospectus and the approval not having been revoked;
- (b) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- (c) the Offer Price having been agreed between us and the Joint Global Coordinators (on behalf of the Underwriters); and
- (d) the obligations of the underwriters under both the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 8:00 a.m. on Thursday, January 27, 2022.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other becoming unconditional and not having been terminated in accordance with its terms.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the above conditions are not fulfilled or waived before the dates and times specified, the Global Offering will not proceed and will lapse, and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.ainnovation.com](http://www.ainnovation.com) on the next business day following the lapse. In this case, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares — Refund of Application Monies”. In the meantime, the application monies will be held in separate accounts with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

If, for any reason, we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Sunday, January 23, 2022 the Global Offering will not proceed and will lapse.

Share certificates for the Offer Shares are expected to be issued on Wednesday, January 26, 2022, but they will only become valid evidence of title at 8:00 a.m. on Thursday, January 27, 2022, provided the Global Offering has become unconditional in all respects at or before that time.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 27, 2022, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on that date.

Our H Shares will be traded in board lots of 100 H Shares each and the stock code of our H Shares will be 2121.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or any application forms in relation to the Hong Kong Public Offering.**

This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.ainnovation.com](http://www.ainnovation.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

Set out below are the channels and procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares. The contents of the electronic version of the 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 stated above.

## APPLICATIONS FOR THE HONG KONG OFFER SHARES

### 1 How to apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

**We will not provide printed application forms for the Hong Kong Public Offering.**

To apply for Hong Kong Offer Shares, you may:

- (a) apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- (b) apply electronically through the **CCASS EIPO** service and cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are a **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (following the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply through channel (a), the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (b)(i) or (b)(ii), the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application (in full or in part) for any reason at their discretion.

### 2 Who can apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural mainland China person (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** Service Provider, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, we and the Joint Global Coordinators may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

If you are applying for Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the information required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of our H Shares and/or a substantial shareholder of any of our subsidiaries;
- you are a director or chief executive officer of ours and/or any of our subsidiaries;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- you are a close associate of any of the above persons;
- you are our connected person or will become our connected person immediately upon completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3 Terms and conditions of an application

By applying through the application channels specified in this prospectus, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize us and/or the Joint Global Coordinators (or their agents or nominees), 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;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and the PRC Company Law;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations, except those contained in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (f) agree that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made 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 International Offer Shares nor have participated in the International Offering;
- (h) agree to disclose to us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our H Share Registrar or receiving bank(s) personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all these laws and none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters will breach any of these laws 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;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize (i) us to place your name(s) or the name of the HKSCC Nominees, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and (ii) us and/or our agents to send any H Share certificate(s) and/or any White Form e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria described in the subsection headed “— Dispatch/Collection of H Share Certificates and Refund of Application Monies” to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended to be made by you to benefit you or the person for whose benefit you are applying;
- (q) understand that we, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if you are making the application 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 or through the **White Form eIPO** Service Provider by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that: (i) 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 (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4 Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number of Hong Kong Offer Shares you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HKS		HKS		HKS		HKS
100	2,757.51	2,500	68,937.85	30,000	827,254.29	350,000	9,651,300.07
200	5,515.03	3,000	82,725.43	40,000	1,103,005.72	400,000	11,030,057.22
300	8,272.54	3,500	96,513.00	50,000	1,378,757.16	450,000	12,408,814.38
400	11,030.06	4,000	110,300.57	60,000	1,654,508.59	500,000	13,787,571.53
500	13,787.57	4,500	124,088.14	70,000	1,930,260.02	1,000,000	27,575,143.05
600	16,545.08	5,000	137,875.72	80,000	2,206,011.45	1,500,000	41,362,714.58
700	19,302.61	6,000	165,450.86	90,000	2,481,762.88	2,000,000	55,150,286.10
800	22,060.11	7,000	193,026.01	100,000	2,757,514.31	2,237,300 <sup>(1)</sup>	61,693,867.54
900	24,817.63	8,000	220,601.15	150,000	4,136,271.46		
1,000	27,575.15	9,000	248,176.29	200,000	5,515,028.61		
1,500	41,362.72	10,000	275,751.43	250,000	6,893,785.77		
2,000	55,150.28	20,000	551,502.86	300,000	8,272,542.92		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

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

### 5 Applying through White Form eIPO service

#### *General*

Individuals who meet the criteria described in subsection headed “— 2. Who can apply” may apply through the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) for Hong Kong Offer Shares to be allotted and registered in their own names.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions contained in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

#### *Time for making applications through the White Form eIPO service*

You may submit your application through the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last day of application) from

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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9:00 a.m., Monday, January 17, 2022 until 11:30 a.m., Thursday, January 20, 2022 and the latest time for completing full payment of application monies will be 12:00 noon, Thursday, January 20, 2022 or such later time as described in the subsection headed “Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists”.

### *No Multiple Applications*

If you apply for Hong Kong Offer Shares through the **White Form eIPO** service, once you have completed payment in respect of an **electronic application instruction** given by you or for your benefit, an actual application will be deemed to have been made by you or for your benefit. However, giving multiple **electronic application instructions** through the **White Form eIPO** service and obtaining different application reference numbers without effecting full payment in respect of a particular reference number, that application will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of making more than one application through the **White Form eIPO** service or any other channel, all of your applications are liable to be rejected.

### **Commitment to Sustainability**

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “**QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD.**” **White Form eIPO** application submitted via the **www.eipo.com.hk** to support sustainability.

## **6 Applying Through the CCASS eIPO Service**

### *General*

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (following the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to the Customer Service Center of Hong Kong Securities Clearing Company Limited at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong and complete an input request form.

If you are not a **CCASS Investor Participant**, you may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give these **electronic application instructions** via CCASS terminals on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Global Coordinators and the H Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Applying through the CCASS EIPO Service*

Where you have applied through **CCASS EIPO** Service (either directly or indirectly through a **broker** or **custodian** on your behalf) and an application has been made by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
  - (i) agree that the Hong Kong Offer Shares to be allotted will be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares or participate in the International Offering;
  - (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for that person's benefit and are duly authorized to give those instructions as its agent;
  - (vi) confirm that you understand that we, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allot any Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - (vii) authorize us to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and to send share certificate(s) and/or refund of application monies in accordance with the arrangements separately agreed between us and HKSCC;
  - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - (ix) confirm that you have read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those contained in any supplement to this prospectus;
  - (x) agree that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xi) agree to disclose your personal data to us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our H Share Registrar or receiving bank(s);
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- (xvi) agree with us, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and the PRC Company Law; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Effect of Applying through the CCASS EIPO Service*

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) will be deemed to have done the things described below (and neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of those things):

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### *Time for Inputting Electronic Application Instructions<sup>(1)</sup>*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Monday, January 17, 2022 — 9:00 a.m. to 8:30 p.m.**  
**Tuesday, January 18, 2022 — 8:00 a.m. to 8:30 p.m.**  
**Wednesday, January 19, 2022 — 8:00 a.m. to 8:30 p.m.**  
**Thursday, January 20, 2022 — 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, January 17, 2022 until 12:00 noon on Thursday, January 20, 2022 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, January 20, 2022, being the last application day or such later time as described in the subsection headed “— Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists”.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals 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.

*Note:*

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

### *No Multiple Applications*

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Each **electronic application instruction** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### 7 Warning for Electronic Applications

The application for the Hong Kong Offer Shares through the **CCASS eIPO** service is a facility provided only to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is a facility provided by the **White Form eIPO** Service Provider only to public investors. These facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make your electronic application. We, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for these facilities and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, January 20, 2022, or such later time as described in the subsection headed “—Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists”.

### 8 How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly by yourself or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as having been made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;



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- 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).

### HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK\$27.30 per Offer Share. You must also pay the brokerage fee of 1.0%, the SFC transaction levy of 0.0027%, the FRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.007%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$2,757.51.

You must pay the Maximum Offer Price (plus the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Hong Kong Stock Exchange trading fee) in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO Service** in respect of a minimum of 100 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the subsection headed “Applications for the Hong Kong Offer Shares — 4. Minimum Application Amount and Permitted Numbers.”

If your application is successful, the brokerage fee will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the FRC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and in the case of the FRC transaction levy, collected by the Stock Exchange on behalf of the FRC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing”.

### EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is (are):

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 20, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, January 20, 2022 or if any of those warnings is in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, we will make an announcement on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.ainnovation.com](http://www.ainnovation.com).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, January 26, 2022 on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.ainnovation.com](http://www.ainnovation.com).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be made available at the times and date and in the manner specified below:

- in the announcement to be posted on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.ainnovation.com](http://www.ainnovation.com) by no later than 9:00 a.m. on Wednesday, January 26, 2022;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, January 26, 2022 to 12:00 midnight on Tuesday, February 1, 2022; or
- by telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, January 26, 2022 to Monday, January 31, 2022 (except Saturday and Sunday).

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which no Hong Kong Offer Shares will be allocated to you:

#### *If your application is revoked:*

By applying through the **White Form eIPO** service or through the **CCASS EIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before that fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

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If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the prescribed procedure to be given, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

***If we or our agents exercise discretion to reject your application:***

We, the Joint Global Coordinators, the **White Form eIPO** Service Provider and our/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 reason.

***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 our H 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.

***If:***

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
- you apply for more than 2,237,300 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially available for purchase under the Hong Kong Public Offering;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Joint Global Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations.

### **REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price is less than the Maximum Offer Price per Offer Share (excluding the brokerage fee, the SFC transaction levy,

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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the FRC transaction levy and the Hong Kong Stock Exchange trading fee), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” or if any application is revoked, the application monies, or the appropriate portion of it, together with the related brokerage fee, SFC transaction levy, the FRC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, January 26, 2022.

### DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificate will be deposited into CCASS as described below).

We will not issue: (i) temporary document of title in respect of our H Shares; or (ii) receipt for sums paid on application.

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on dispatch/collection of share certificates and refund of application monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, January 26, 2022.

H Share certificates will only become valid at 8:00 a.m. on Thursday, January 27, 2022 provided that the Global Offering has become unconditional at or before that time. Investors who trade H Shares before the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

(a) If you apply through the **White Form eIPO** service

*Personal collection of H Share certificate(s)*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from our H Share Registrar at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 26, 2022, or at any other place or date as notified by us.

*Dispatch by post of H Share certificate(s)*

- If you do not collect your H Share certificate in person within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, January 26, 2022 by ordinary post at your own risk.

### *Refund of Application Monies*

- If you apply and pay the application monies from a single bank account, any refund of application monies will be dispatched to that bank account in the form of White Form e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund of application monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

- (b) If you apply through **CCASS EIPO** service:

### *Allocation of Hong Kong Offer Shares*

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

### *Deposit of H Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, January 26, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, we will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offering in the manner described in the subsection headed “— Publication of Results” on Wednesday, January 26, 2022. You should check our announcement and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 26, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund of application monies (if any) payable to you with that **broker** or **custodian**.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund of application monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, January 26,

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2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund of application monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund of application monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Wednesday, January 26, 2022.

### ADMISSION OF OUR H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our H Shares and we comply with the stock admission requirements of HKSCC, our H 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 settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangement may affect their rights and interests.

We have made all necessary arrangements for our H Shares to be admitted into CCASS.

### PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data held by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our H Share Registrar or receiving bank(s) about you.

#### *Personal Information Collection Statement*

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of ours and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### *Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) and/or refund cheques to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and e-Refund Instructions/refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the 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 our H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of the holders of our H Shares;
- establishing benefit entitlements of holders of our H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the H Share Registrar to discharge our or their obligations to holders of our H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

### *Transfer of personal data*

Personal data held by us and the H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential, but we and the H 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:

- our appointed agents such as financial advisers and receiving bank(s);
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the H Share Registrar in connection with their respective business operation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

### *Retention of personal data*

We and the H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill 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.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the H 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 us, at our registered address disclosed in the section headed “Corporate Information” or as notified from time to time, for the attention of the secretary, or our H 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 HKSIR 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 QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD, UBS SECURITIES HONG KONG LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CHINA RENAISSANCE SECURITIES (HONG KONG) LIMITED**

***Introduction***

We report on the historical financial information of Qingdao Ainnovation Technology Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-82, which comprises the consolidated statements of financial position as at 31 December 2018, 2019 and 2020 and 30 September 2021, the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and 30 September 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity/(deficits) and the consolidated statements of cash flows for the period from 6 February 2018 (the date of incorporation of the Company) to 31 December 2018 and each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-82 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 January 2022 (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 set 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 set 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 31 December 2018, 2019 and 2020 and 30 September 2021, and the consolidated financial position of the Group as at 31 December 2018, 2019 and 2020 and 30 September 2021, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set 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 income, the consolidated statement of changes in equity/(deficits) and cash flows for the nine months ended 30 September 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 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 Note 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 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong

17 January 2022

**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 ("ISAs") issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand yuan (RMB'000), unless otherwise stated.



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Period from	Year ended 31 December		Nine months ended 30 September	
		6 February to 31 December	2019	2020	2020	2021
		2018	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Revenue</b> .....	6	37,208	229,141	462,324	297,639	553,015
Cost of sales .....	9	(13,823)	(157,528)	(327,703)	(212,367)	(382,091)
<b>Gross profit</b> .....		23,385	71,613	134,621	85,272	170,924
Selling and distribution expenses ...	9	(20,678)	(75,965)	(60,410)	(39,216)	(91,407)
General and administrative expenses .....	9	(49,707)	(126,873)	(195,186)	(125,348)	(311,085)
Research and development expenses .....	9	(28,681)	(113,296)	(181,538)	(114,391)	(176,534)
Net impairment losses on financial assets .....	3.1	(855)	(5,496)	(18,950)	(5,176)	(20,905)
Other income .....	7	6,856	27,125	34,952	21,650	14,421
Other gains/(losses), net .....	8	143	936	(290)	(425)	(1,045)
<b>Operating loss</b> .....		(69,537)	(221,956)	(286,801)	(177,634)	(415,631)
Finance costs .....	10	(2,587)	(35,599)	(83,111)	(53,248)	(35,324)
Finance income .....	10	979	9,499	9,449	6,228	15,507
<b>Loss before income tax</b> .....		(71,145)	(248,056)	(360,463)	(224,654)	(435,448)
Income tax expense .....	11	(29)	(303)	(172)	(8,356)	(2,571)
<b>Loss for the period/year</b> .....		<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>
<b>Loss for the period/year attributable to:</b>						
Owners of the Company .....		(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Non-controlling interests .....		(513)	(4,132)	364	1,945	(2,531)
		<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>
<b>Other comprehensive income/ (loss), net of tax</b>						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Changes in the fair value of equity investments at fair value through other comprehensive income .....	25	—	(1,682)	(712)	(712)	22
Other comprehensive income/(loss) for the period/year, net of tax .....		—	(1,682)	(712)	(712)	22
<b>Total comprehensive loss for the period/year, net of tax</b> .....		<u>(71,174)</u>	<u>(250,041)</u>	<u>(361,347)</u>	<u>(233,722)</u>	<u>(437,997)</u>
<b>Total comprehensive loss for the period/year attributable to:</b>						
Owners of the Company .....		(70,661)	(245,909)	(361,711)	(235,667)	(435,466)
Non-controlling interests .....		(513)	(4,132)	364	1,945	(2,531)
<b>Total comprehensive loss for the period/year</b> .....		<u>(71,174)</u>	<u>(250,041)</u>	<u>(361,347)</u>	<u>(233,722)</u>	<u>(437,997)</u>
<b>Basic and diluted loss per share for loss attributable to the Owners of the Company (in RMB)</b> .....	15	<u>(0.38)</u>	<u>(1.09)</u>	<u>(1.49)</u>	<u>(0.98)</u>	<u>(1.03)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 September
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	17	23,730	49,587	57,488	80,051
Right-of-use assets	18	7,631	11,088	13,843	9,054
Intangible assets	19	1,017	810	603	651
Financial assets at fair value through other comprehensive income	25	—	118	106	—
Other non-current assets	20	7,005	1,599	1,322	4,082
<b>Total non-current assets</b>		<u>39,383</u>	<u>63,202</u>	<u>73,362</u>	<u>93,838</u>
<b>Current assets</b>					
Inventories	22	3,043	32,327	55,310	43,359
Prepayments and other receivables	24	3,594	23,190	27,329	46,833
Trade and notes receivables	23	16,241	120,737	189,554	296,353
Financial assets at fair value through other comprehensive income	25	—	6,446	3,937	27,093
Financial assets at fair value through profit or loss	26	14,000	—	—	—
Amounts due from related parties	42(c)	100	2	2,321	8,606
Restricted cash	27	7,447	2,979	1,491	206
Cash and cash equivalents	27	74,396	605,631	1,042,502	1,654,623
<b>Total current assets</b>		<u>118,821</u>	<u>791,312</u>	<u>1,322,444</u>	<u>2,077,073</u>
<b>Total assets</b>		<u>158,204</u>	<u>854,514</u>	<u>1,395,806</u>	<u>2,170,911</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	18	6,557	6,595	9,457	7,116
Financial liabilities of redeemable shares	38	50,650	826,808	1,659,214	—
Other non-current liabilities	33	39,143	55,387	48,459	38,987
<b>Total non-current liabilities</b>		<u>96,350</u>	<u>888,790</u>	<u>1,717,130</u>	<u>46,103</u>
<b>Current liabilities</b>					
Lease liabilities	18	1,597	4,633	5,233	3,712
Trade and notes payables	35	12,881	64,828	63,199	127,209
Contract liabilities	37	2,029	9,685	38,440	29,082
Other payables and accruals	36	22,122	34,738	84,900	82,434
Amounts due to related parties	42(c)	177	14,703	931	773
Current income tax liabilities		29	303	—	567
<b>Total current liabilities</b>		<u>38,835</u>	<u>128,890</u>	<u>192,703</u>	<u>243,777</u>
<b>Total liabilities</b>		<u>135,185</u>	<u>1,017,680</u>	<u>1,909,833</u>	<u>289,880</u>
<b>EQUITY/(DEFICITS)</b>					
<b>Equity/(deficits) attributable to owners of the Company</b>					
Share capital	28	—	—	—	514,560
Paid-in capital	28	13,483	20,872	24,105	—
Share premium	29	—	—	—	1,674,871
Capital reserve	29	53,371	47,208	44,741	—
Other reserves	30	23,339	74,887	89,129	387,108
Accumulated losses	31	(70,661)	(314,888)	(675,887)	(701,762)
		<u>19,532</u>	<u>(171,921)</u>	<u>(517,912)</u>	<u>1,874,777</u>
<b>Non-controlling interests</b>		<u>3,487</u>	<u>8,755</u>	<u>3,885</u>	<u>6,254</u>
<b>Total equity/(deficits)</b>		<u>23,019</u>	<u>(163,166)</u>	<u>(514,027)</u>	<u>1,881,031</u>
<b>Total equity/(deficits) and liabilities</b>		<u>158,204</u>	<u>854,514</u>	<u>1,395,806</u>	<u>2,170,911</u>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December			As at 30
		2018	2019	2020	September
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in subsidiaries . . . . .	16	41,022	121,031	270,851	325,757
Property, plant and equipment . . . . .		—	—	—	20,562
		<u>41,022</u>	<u>121,031</u>	<u>270,851</u>	<u>346,319</u>
<b>Current asset</b>					
Inventories . . . . .		1,065	338	30,474	11,338
Prepayments and other receivables . . . . .	24	256	10,884	2,936	15,680
Trade and notes receivables . . . . .	23	1,543	2,097	7,804	70,021
Amounts due from related parties . . . . .		100	—	—	—
Amounts due from subsidiaries . . . . .	39	44,607	736,772	1,186,259	1,135,341
Restricted cash . . . . .		—	—	192	206
Cash and cash equivalents . . . . .		28,137	4,238	198,064	1,000,556
		<u>75,708</u>	<u>754,329</u>	<u>1,425,729</u>	<u>2,233,142</u>
<b>Total assets</b> . . . . .		<u>116,730</u>	<u>875,360</u>	<u>1,696,580</u>	<u>2,579,461</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Financial liabilities of redeemable shares . . . . .	38	50,650	826,808	1,659,214	—
<b>Current liabilities</b>					
Trade and notes payables . . . . .		—	120	2,156	37,291
Contract liabilities . . . . .		1,907	359	32,154	3,019
Other payables and accruals . . . . .	36	2,867	5,333	25,978	32,293
Amounts due to related parties . . . . .		—	—	9	—
Amounts due to subsidiaries . . . . .	39	1,463	25,778	37,136	46,600
		<u>6,237</u>	<u>31,590</u>	<u>97,433</u>	<u>119,203</u>
<b>Total liabilities</b> . . . . .		<u>56,887</u>	<u>858,398</u>	<u>1,756,647</u>	<u>119,203</u>
<b>EQUITY/(DEFICITS)</b>					
<b>Equity/(deficits) attributable to owners of the Company</b>					
Share capital . . . . .	28	—	—	—	514,560
Paid-in capital . . . . .	28	13,483	20,872	24,105	—
Share premium . . . . .	29	—	—	—	1,674,871
Capital reserve . . . . .	29	53,371	47,208	44,741	—
Other reserves . . . . .	30	23,339	76,569	210,319	505,904
Accumulated losses . . . . .		(30,350)	(127,687)	(339,232)	(235,077)
<b>Total equity/(deficits)</b> . . . . .		<u>59,843</u>	<u>16,962</u>	<u>(60,067)</u>	<u>2,460,258</u>
<b>Total equity/(deficits) and liabilities</b> . . . . .		<u>116,730</u>	<u>875,360</u>	<u>1,696,580</u>	<u>2,579,461</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS)

	Note	Attributable to owners of the Company					Non-controlling	Total
		Paid-in	Capital	Other	Accumulated	Total	interests	equity
		capital	reserve	reserves	losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 6 February 2018 . . .		—	—	—	—	—	—	
Loss for the period . . . . .		—	—	—	(70,661)	(70,661)	(513)	(71,174)
Transactions with owners in their capacity as owners								
—Capital injection . . . . .	28	13,483	101,564	—	—	115,047	—	115,047
—Obligation related to redeemable rights of shares . . . . .	29	—	(48,193)	—	—	(48,193)	—	(48,193)
—Share-based payment expenses . . . . .	32	—	—	23,339	—	23,339	—	23,339
—Capital injection by non-controlling interests . . . . .	16	—	—	—	—	—	4,000	4,000
Total transactions with owners in their capacity as owners . .		<u>13,483</u>	<u>53,371</u>	<u>23,339</u>	<u>—</u>	<u>90,193</u>	<u>4,000</u>	<u>94,193</u>
Balance at 31 December 2018 . . . . .		<u>13,483</u>	<u>53,371</u>	<u>23,339</u>	<u>(70,661)</u>	<u>19,532</u>	<u>3,487</u>	<u>23,019</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity/(deficits)	
		Paid-in capital	Capital reserve	Other reserves	Accumulated losses			Total
		RMB'000	RMB'000	RMB'000	RMB'000			RMB'000
Balance at 1 January 2019 . . .		13,483	53,371	23,339	(70,661)	19,532	3,487	23,019
Loss for the year . . . . .		—	—	—	(244,227)	(244,227)	(4,132)	(248,359)
Other comprehensive losses								
—Changes in the fair value of equity investments at fair value through other comprehensive income . . . . .	30	—	—	(1,682)	—	(1,682)	—	(1,682)
Total other comprehensive loss for the year . . . . .		—	—	(1,682)	—	(1,682)	—	(1,682)
Transactions with owners in their capacity as owners								
—Capital injection . . . . .	28	7,389	734,837	—	—	742,226	—	742,226
—Obligation related to redeemable rights of shares . . . . .	29	—	(741,000)	—	—	(741,000)	—	(741,000)
—Share-based payment expenses . . . . .	32	—	—	53,230	—	53,230	—	53,230
—Capital injection by non-controlling interests . . . . .	16	—	—	—	—	—	9,400	9,400
Total transactions with owners in their capacity as owners . . . . .		7,389	(6,163)	53,230	—	54,456	9,400	63,856
Balance at 31 December 2019 . . . . .		<u>20,872</u>	<u>47,208</u>	<u>74,887</u>	<u>(314,888)</u>	<u>(171,921)</u>	<u>8,755</u>	<u>(163,166)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company					Non-controlling	Total
		Paid-in	Capital	Other	Accumulated	Total	interests	deficits
		capital	reserve	reserves	losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2020 . . .		20,872	47,208	74,887	(314,888)	(171,921)	8,755	(163,166)
(Loss)/profit for the year . . . .		—	—	—	(360,999)	(360,999)	364	(360,635)
Other comprehensive losses								
—Changes in the fair value of equity investments at fair value through other comprehensive income . . . . .	30	—	—	(712)	—	(712)	—	(712)
Total other comprehensive loss for the year . . . . .		—	—	(712)	—	(712)	—	(712)
Transactions with owners in their capacity as owners								
—Capital injection . . . . .	28	3,233	747,533	—	—	750,766	—	750,766
—Obligation related to redeemable rights of shares . . . . .	29	—	(750,000)	—	—	(750,000)	—	(750,000)
—Share-based payment expenses . . . . .	32	—	—	133,750	—	133,750	—	133,750
—Transactions with non-controlling interests . . . . .	16	—	—	(118,796)	—	(118,796)	(5,234)	(124,030)
Total transactions with owners in their capacity as owners . . . . .		3,233	(2,467)	14,954	—	15,720	(5,234)	10,486
Balance at 31 December 2020 . . . . .		24,105	44,741	89,129	(675,887)	(517,912)	3,885	(514,027)



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company						Non-controlling	Total equity	
		Share capital	Paid-in capital	Share premium	Capital reserve	Other reserves	Accumulated losses	interests	/(deficits)	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2021		—	24,105	—	44,741	89,129	(675,887)	(517,912)	3,885	(514,027)
Loss for the period		—	—	—	—	—	(435,488)	(435,488)	(2,531)	(438,019)
Other comprehensive income										
—Changes in the fair value of equity investments at fair value through other comprehensive income	30	—	—	—	—	22	—	22	—	22
Total other comprehensive income for the period		—	—	—	—	22	—	22	—	22
Transactions with owners in their capacity as owners										
—Capital injection	28	2,035	2,446	734,309	99,689	—	—	838,479	—	838,479
—Obligation related to redeemable rights of shares	29	—	—	—	(100,000)	—	—	(100,000)	—	(100,000)
—Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights	38	—	—	—	1,794,091	—	—	1,794,091	—	1,794,091
—Conversion into a joint stock company	28	26,551	(26,551)	1,426,536	(1,838,521)	—	411,985	—	—	—
—Conversion of share premium into share capital	28	485,974	—	(485,974)	—	—	—	—	—	—
—Share-based payment expenses	32	—	—	—	—	295,585	—	295,585	—	295,585
—Capital injection by non-controlling interests	16	—	—	—	—	—	—	—	4,900	4,900
—Disposal of financial assets at fair value through other comprehensive income	30	—	—	—	—	2,372	(2,372)	—	—	—
Total transactions with owners in their capacity as owners		514,560	(24,105)	1,674,871	(44,741)	297,957	409,613	2,828,155	4,900	2,833,055
Balance at 30 September 2021		514,560	—	1,674,871	—	387,108	(701,762)	1,874,777	6,254	1,881,031

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company				Total	Non-controlling	Total
		Paid-in	Capital	Other	Accumulated		interests	deficits
		capital	reserve	reserves	losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)								
Balance at 1 January 2020 . . . . .		20,872	47,208	74,887	(314,888)	(171,921)	8,755	(163,166)
(Loss)/profit for the period . . . . .		—	—	—	(234,955)	(234,955)	1,945	(233,010)
Other comprehensive losses								
—Changes in the fair value of equity investments at fair value through other comprehensive income . . . . .	30	—	—	(712)	—	(712)	—	(712)
Total other comprehensive loss for the period . . . . .		—	—	(712)	—	(712)	—	(712)
Transactions with owners in their capacity as owners								
—Share-based payment expenses . . . . .	32	—	—	93,691	—	93,691	—	93,691
—Transactions with non-controlling interests . . . . .	16	—	—	(21,188)	—	(21,188)	(2,042)	(23,230)
Total transactions with owners in their capacity as owners . . . . .		—	—	72,503	—	72,503	(2,042)	70,461
Balance at 30 September 2020 . . . . .		20,872	47,208	146,678	(549,843)	(335,085)	8,658	(326,427)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Period from 6 February to 31 December				
		Year ended 31 December		Nine months ended 30 September		
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Cash flows from operating activities</b>						
Cash used in operations	40	(3,872)	(198,457)	(182,643)	(146,478)	(187,889)
Interest received		979	9,499	9,449	6,228	15,507
Income taxes paid		—	(29)	(1,011)	(1,011)	(2,004)
<b>Net cash used in operating activities</b>		<u>(2,893)</u>	<u>(188,987)</u>	<u>(174,205)</u>	<u>(141,261)</u>	<u>(174,386)</u>
<b>Cash flows from investing activities</b>						
Payments of property, plant and equipment and intangible assets		(27,648)	(32,374)	(18,507)	(16,721)	(41,345)
Proceeds from disposal of financial assets at fair value through profit or loss		16,000	340,000	—	—	1,100,000
Payments of financial assets at fair value through profit or loss		(30,000)	(326,000)	—	—	(1,100,000)
Payments of financial assets at fair value through other comprehensive income		—	(1,800)	(700)	(700)	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	—	(26)	(26)	128
Loans to a related party		(100)	100	—	—	—
Interest received on financial assets at fair value through profit or loss		142	1,119	—	—	4,883
<b>Net cash used in investing activities</b>		<u>(41,606)</u>	<u>(18,955)</u>	<u>(19,233)</u>	<u>(17,447)</u>	<u>(36,334)</u>
<b>Cash flows from financing activities</b>						
Capital injection from shareholders	28, 38	115,047	742,226	750,766	—	838,479
Capital injection of subsidiaries from non-controlling interests	16	4,000	9,400	—	—	4,900
Acquisition of non-controlling interests	16	—	—	(101,630)	(23,230)	—
Principal elements of lease payments	18	(152)	(3,431)	(6,832)	(4,878)	(4,797)
Payment for listing expenses		—	—	—	—	(9,991)
Payments of financing service expenses		—	(9,018)	(11,995)	(3,428)	—
<b>Net cash generated from/(used in) financing activities</b>		<u>118,895</u>	<u>739,177</u>	<u>630,309</u>	<u>(31,536)</u>	<u>828,591</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>74,396</u>	<u>531,235</u>	<u>436,871</u>	<u>(190,244)</u>	<u>617,871</u>
<b>Cash and cash equivalents at beginning of the period/year</b>	27(b)	—	74,396	605,631	605,631	1,042,502
<b>Exchange losses on cash and cash equivalents</b>	8	—	—	—	—	(5,750)
<b>Cash and cash equivalents at the end of the period/year</b>	27(b)	<u>74,396</u>	<u>605,631</u>	<u>1,042,502</u>	<u>415,387</u>	<u>1,654,623</u>

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1 General information of the Group**

Qingdao AInnovation Technology Group Co., Ltd. (the “Company”, formerly known as “Shenzhen AInnovation Technology Co., Ltd.”) was incorporated in the People’s Republic of China (the “PRC”) on 6 February 2018 as a limited liability company. The address of the Company’s registered office is Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC.

The Company and its subsidiaries (collectively, the “Group”) conduct research and development and sells Artificial Intelligence based software and hardware technology solutions in China. A group of entities and individuals collectively held 30.014% of the equity interest of the Group as at 30 September 2021, namely Sinovation Ventures (Beijing) Enterprise Management Limited (the “Sinovation Ventures”), Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd., Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying (“Single Largest Shareholders Group”). They acted in concert with each other according to the concerted agreement.

The major subsidiaries were disclosed in Note 16.

**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

**2.1 Basis of preparation**

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets and liabilities that are measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs 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.

All effective standards, amendments to standards and interpretations, including IFRS 15 and IFRS 9, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16, which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group for the Track Record Period.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.1 Basis of preparation (continued)

*New standards and interpretations not yet adopted*

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group:

		<u>Effective for annual periods beginning on or after</u>
IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments (amendments)	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	2018-2020 annual improvement cycle	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policy	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

## 2.2 Subsidiaries

*Consolidation*

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

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.2 Subsidiaries (continued)

*Consolidation (continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated and 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheet respectively.

## 2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)****2.3 Business combination (continued)**

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

*Changes in ownership interests in subsidiaries without change of control*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

**2.4 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 the 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.

**2.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

During the Track Record Period, the Group has been focusing on research and development of artificial intelligence solutions. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

**2.6 Foreign currencies***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"). Since all of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.6 Foreign currencies (continued)

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. 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 recognized in the consolidated statement of comprehensive income on a net basis within "Other gains/(losses), 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 recognized 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 are recognized in other comprehensive income.

## 2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset 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 derecognized when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Electronic equipment	3 years
Office equipment	5 years
Leasehold improvements	5 years, or over lease term, whichever is the shorter

Construction in progress represents electronic and office equipments and leasehold improvements under construction or pending installation and is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to relevant category within property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)****2.7 Property, plant and equipment (continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the consolidated statements of comprehensive income.

**2.8 Intangible assets***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 programmes are recognized 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 of 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

*Research and development*

The Group incurs significant costs and efforts on research and development activities, which include expenditures on artificial intelligence technology. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed artificial intelligence products and all the following can be demonstrated (if applicable):

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. No development costs met these criteria and therefore, were capitalised as intangible assets during the Track Record Period.

**2.9 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

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.9 Impairment of non-financial assets (continued)

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 purpose 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.10 Financial assets

## (i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. 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 fair value through other comprehensive income.

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

## (ii) Recognition and derecognition

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

## (iii) Measurement

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

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.10 Financial assets (continued)

## (iii) Measurement (continued)

## 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 recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- Financial assets at fair value through other comprehensive 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 fair value through other comprehensive income ("OCI"). 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 the consolidated statements of comprehensive income 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) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Financial assets at fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. 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

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 recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in "other gains/(losses), net" in profit or 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.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.10 Financial assets (continued)

## (iv) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment of other receivables is measured as either 12-month expected credit loss 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.

## 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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.

## 2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other 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 recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other 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.

## 2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statements, cash and cash equivalents include cash on hand, demand deposits held at banks, and 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.



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)****2.14 Paid-in capital, share capital, capital reserve and share premium**

Ordinary shares are classified as equity.

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

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

**2.15 Trade and other payables**

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

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.16 Redeemable shares**

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount ("Redeemable Shares"). If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

**2.17 Current and deferred income tax**

The income tax expense 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 tax assets and liabilities attributable to temporary differences and to unused tax losses.

*Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.17 Current and deferred income tax (continued)

*Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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 recognized 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 recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company 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 when there is a legally enforceable right to offset current tax assets and liabilities and when 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 realise the asset and settle the liability simultaneously.

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

## 2.18 Employee benefits

*Short-term obligations*

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

*Pension obligations*

Full-time employees in the PRC 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 retired employees. The Group contributes on a monthly basis to these pension plans. Under these

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.18 Employee benefits (continued)

*Pension obligations (continued)*

plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

*Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other 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 year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

## 2.19 Share-based payments

(a) 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 Group. As disclosed in Note 32, during the Track Record Period, equity-settled share options and restricted stock unit ("RSUs") were granted to certain directors, senior management, employees and consultants. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, in which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of 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 recognized for the services received over the remainder of the vesting period. The incremental fair value is excess of the fair value of the modified equity instrument over that of the

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.19 Share-based payments (continued)

original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized 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 recognized 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 compensation plan, 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).

## (b) Share-based payment transaction among group entities

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

## 2.20 Provisions

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

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

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

## 2.21 Revenue recognition

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.21 Revenue recognition (continued)

- the Group's performance 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 recognized at a point in time when the customer obtains control of the distinct good or service.

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.

The following is a description of the accounting policy for the principal revenue streams of the Group.

*(a) Sales of products and solutions*

The Group provides multiple deliverables to customers, including the design of artificial intelligence solution, delivery of products and software, and installation of products and software. It is accounted for as a single performance obligation since the Group provides an integrated products and solutions.

The revenue of such integrated products and solutions are recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required.

*(b) Services of data solutions*

The Group provides services of data solutions to customers during a certain period. Data solutions include cloud services, and data analysis, etc.

Revenue from data solutions is accounted for as a single performance obligation and recognized when the Group has provided the promised relevant services. As the customer simultaneously receives and consumes the services provided by the Group over the period, the performance obligation is satisfied over time with reference to the customers' usage of services to the satisfaction of the performance obligation of the projects.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.22 Interest income

Interest income from financial assets at FVPL is included in other gains/(losses), net (Note 8). Any other interest income is included in finance income.

Interest income from cash at bank is recognized on a time-proportion basis using the effective interest method.

## 2.23 Earnings per share

(i) Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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 earnings per share adjusts the figures used in the determination of basic 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.

## 2.24 Leases

The Group mainly leases office and warehouse as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized 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.

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:

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



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.24 Leases (continued)

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

- 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- 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 and all leases of low-value assets are recognized 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. Low-value assets comprise small items of IT equipments.

Lease income from operating leases where the Group is a lessor is recognized in revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

## 2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants are reviewed, and adjusted if appropriate, at the end of each reporting period.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****2 Summary of significant accounting policies (continued)**

## 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

**3 Financial risk management**

## 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

*Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure to foreign currency risk at 31 December 2018, 2019 and 2020 and 30 September 2021 was insignificant as each of the group entities did not hold significant assets and liabilities denominated in a currency other than its functional currency.

*Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 18), financial liabilities of redeemable shares (Note 38), cash and cash equivalents (Note 27) and restricted cash (Note 27). 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.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

*Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted cash, FVPL, FVOCI, amounts due from related parties and trade and notes receivables and other 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.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****3 Financial risk management (continued)**

## 3.1 Financial risk factors (continued)

*Credit risk (continued)*

## (i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

## (ii) Credit risk of trade receivables (including trade receivables due from related parties)

The Group has policies in place to ensure that trade 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.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the 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, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers 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 recognized impairment losses.

	<u>Less than 3 months</u> RMB'000	<u>3 months to 6 months</u> RMB'000	<u>6 months to 12 months</u> RMB'000	<u>1 year to 2 years</u> RMB'000	<u>Total</u> RMB'000
<b>31 December 2018</b>					
<b>Trade receivables (Note 23 and 42)</b>					
Gross carrying amount .....	14,746	2,350	—	—	17,096
Expected loss rate .....	(4.81%)	(6.17%)	—	—	(5.00%)
<b>Loss allowance .....</b>	<u>(710)</u>	<u>(145)</u>	<u>—</u>	<u>—</u>	<u>(855)</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

*Credit risk (continued)*

## (ii) Credit risk of trade receivables (including trade receivables due from related parties) (Continued)

	<u>Less than 3 months</u> RMB'000	<u>3 months to 6 months</u> RMB'000	<u>6 months to 12 months</u> RMB'000	<u>1 year to 2 years</u> RMB'000	<u>Total</u> RMB'000	
<b>31 December 2019</b>						
<b>Trade receivables (Note 23 and 42)</b>						
Gross carrying amount	95,476	18,660	8,794	—	122,930	
Expected loss rate	(4.65%)	(5.69%)	(9.65%)	—	(5.17%)	
<b>Loss allowance</b>	<b><u>(4,441)</u></b>	<b><u>(1,061)</u></b>	<b><u>(849)</u></b>	<b><u>—</u></b>	<b><u>(6,351)</u></b>	
	<u>Less than 3 months</u> RMB'000	<u>3 months to 6 months</u> RMB'000	<u>6 months to 12 months</u> RMB'000	<u>1 year to 2 years</u> RMB'000	<u>Total</u> RMB'000	
<b>31 December 2020</b>						
<b>Trade receivables (Note 23 and 42)</b>						
Gross carrying amount	125,699	39,531	33,598	17,116	215,944	
Expected loss rate	(4.87%)	(5.92%)	(21.16%)	(56.70%)	(11.71%)	
<b>Loss allowance</b>	<b><u>(6,125)</u></b>	<b><u>(2,341)</u></b>	<b><u>(7,111)</u></b>	<b><u>(9,705)</u></b>	<b><u>(25,282)</u></b>	
	<u>Less than 3 months</u> RMB'000	<u>3 months to 6 months</u> RMB'000	<u>6 months to 12 months</u> RMB'000	<u>1 year to 2 years</u> RMB'000	<u>2 years to 3 years</u> RMB'000	<u>Total</u> RMB'000
<b>30 September 2021</b>						
<b>Trade receivables (Note 23 and 42)</b>						
Gross carrying amount	170,058	112,602	31,557	34,180	1,659	350,056
Expected loss rate	(4.55%)	(9.46%)	(15.62%)	(63.43%)	(71.19%)	(13.19%)
<b>Loss allowance</b>	<b><u>(7,745)</u></b>	<b><u>(10,652)</u></b>	<b><u>(4,930)</u></b>	<b><u>(21,679)</u></b>	<b><u>(1,181)</u></b>	<b><u>(46,187)</u></b>

The movements in provision for impairment of trade receivables are as follows:

	<u>Period from 6 February to 31 December</u> 2018 RMB'000	<u>Year ended 31 December</u> 2019      2020 RMB'000    RMB'000		<u>Nine months ended 30 September</u> 2020      2021 RMB'000    RMB'000 (Unaudited)	
<b>Trade receivables</b>					
At the beginning of the period/year	—	855	6,351	6,351	25,282
Provisions	855	5,496	18,950	5,176	20,905
Written off as uncollectible	—	—	(19)	(19)	—
At the end of the period/year	<b><u>855</u></b>	<b><u>6,351</u></b>	<b><u>25,282</u></b>	<b><u>11,508</u></b>	<b><u>46,187</u></b>

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****3 Financial risk management (continued)**

## 3.1 Financial risk factors (continued)

*Credit risk (continued)*

- (iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties)

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Other receivables mainly comprise deposits, other receivables (including other receivables 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.

For notes receivables, the Group expects that the credit risk associated with notes receivables is considered to be low. The Group has assessed that the expected credit losses rate for notes receivables are immaterial under 12 months expected credit losses method, and thus the loss allowance is immaterial.

As at 31 December 2018, 2019 and 2020 and 30 September 2021, 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 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 period is the carrying amount of these investments (30 September 2021: nil; 31 December 2020: nil; 31 December 2019: nil; 31 December 2018: RMB14,000,000).

*Liquidity risk*

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 3 Financial risk management (continued)

## 3.1 Financial risk factors (continued)

*Liquidity risk (continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at 31 December 2018</u>					
Trade and notes payables	12,881	—	—	—	12,881
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	10,575	—	—	—	10,575
Amounts due to related parties	177	—	—	—	177
Lease liabilities	1,949	1,949	5,198	—	9,096
Financial liabilities of redeemable shares	—	—	—	85,047	85,047
	<u>25,582</u>	<u>1,949</u>	<u>5,198</u>	<u>85,047</u>	<u>117,776</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at 31 December 2019</u>					
Trade and notes payables	64,828	—	—	—	64,828
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	10,690	—	—	—	10,690
Amounts due to related parties	14,703	—	—	—	14,703
Lease liabilities	5,071	4,832	3,249	—	13,152
Financial liabilities of redeemable shares	—	—	1,162,369	—	1,162,369
	<u>95,292</u>	<u>4,832</u>	<u>1,165,618</u>	<u>—</u>	<u>1,265,742</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at 31 December 2020</u>					
Trade and notes payables	63,199	—	—	—	63,199
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	45,517	—	—	—	45,517
Amounts due to related parties	931	—	—	—	931
Lease liabilities	6,596	6,334	4,819	—	17,749
Financial liabilities of redeemable shares	—	—	2,153,343	—	2,153,343
	<u>116,243</u>	<u>6,334</u>	<u>2,158,162</u>	<u>—</u>	<u>2,280,739</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at 30 September 2021</u>					
Trade and notes payables	127,209	—	—	—	127,209
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	41,805	—	—	—	41,805
Amounts due to related parties	773	—	—	—	773
Lease liabilities	3,855	3,724	4,127	—	11,706
	<u>173,642</u>	<u>3,724</u>	<u>4,127</u>	<u>—</u>	<u>181,493</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 3 Financial risk management (continued)

#### 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total equity/(deficits)". Net debt is calculated as total lease liabilities and financial liabilities of redeemable shares less cash and cash equivalents. The net debt equity ratios of 31 December 2018, 2019 and 2020 and 30 September 2021 were as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	8,154	11,228	14,690	10,828
Financial liabilities of redeemable shares	50,650	826,808	1,659,214	—
Less: cash and cash equivalents	(74,396)	(605,631)	(1,042,502)	(1,654,623)
Net debt	(15,592)	232,405	631,402	(1,643,795)
Total equity/(deficits)	23,019	(163,166)	(514,027)	1,881,031
Net debt equity ratio	N/A	N/A	N/A	N/A

#### 3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2018				
Assets				
FVPL	—	14,000	—	14,000
As at December 31, 2019				
Assets				
FVOCI	—	—	6,564	6,564

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 3 Financial risk management (continued)

## 3.3 Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020				
Assets				
FVOCI .....	—	—	4,043	4,043
As at September 30, 2021				
Assets				
FVOCI .....	—	—	27,093	27,093

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

Level 2 FVPL include structured deposits acquired from banks with interests unguaranteed. The return was linked to spot exchange rate of euro and US dollar on an agreed future day. The main inputs used by the Group are estimated yield rates in contracts.

Level 3 FVOCI include an equity investment that are not publicly traded. The fair value is estimated by the Group using its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position. In connection with the equity investments, the Group adopts a net asset value approach to assess the fair value of this financial asset.

Level 3 FVOCI also comprise bank acceptance notes and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned bank.

The following table presents the changes in level 3 items for the years ended 31 December 2019 and 2020 and nine months ended 30 September 2021:

	Unlisted equity investments	Bank acceptance notes	Commercial acceptance notes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2018 .....	—	—	—	—
Addition .....	1,800	7,846	—	9,646
Change in fair value .....	(1,682)	—	—	(1,682)
Disposals .....	—	(1,400)	—	(1,400)
Balance at 31 December 2019 .....	118	6,446	—	6,564
Addition .....	700	4,777	—	5,477
Change in fair value .....	(712)	—	—	(712)
Disposals .....	—	(7,286)	—	(7,286)
Balance at 31 December 2020 .....	106	3,937	—	4,043
Addition .....	—	21,432	10,447	31,879
Change in fair value .....	22	—	—	22
Disposals .....	(128)	(6,647)	(2,076)	(8,851)
Balance at 30 September 2021 .....	—	18,722	8,371	27,093

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

FVOCI	Fair value		Significant un-observable inputs	Valuation technique	Range of inputs (probability-weighted average)			Relationship of unobservable inputs to fair value
	As at 31 December				Year ended 31 December		Nine months ended 30 September 2021	
	2018	2019			2019	2020		
	RMB'000	RMB'000	RMB'000					
Bank and commercial acceptance notes . . . . .	—	6,446	27,093	Discount rates	N/A	2.51%	2.51%	The higher the discount rate, the lower the fair value
Unlisted equity investments	—	118	106	Lack of marketability discount	N/A	20.00%	20.00%	The higher the lack of marketability discount, the lower the fair value

Increasing/decreasing the discount rates by 0.5% would decrease/increase the fair values of bank acceptance notes as at 31 December 2019, 2020 and 30 September 2021 by approximately RMB 15,000, RMB 1,000 and RMB 61,000 respectively.

Increasing the lack of marketability discount by 0.5% would decrease the fair values of unlisted equity investments as at 31 December 2019 and 2020 by approximately zero and RMB 1,000 respectively. Decreasing the lack of marketability discount by 0.5% would increase the fair values of unlisted equity investments as at 31 December 2019 and 2020 by approximately RMB 1,000 and zero respectively.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****4 Critical estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. 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 year are discussed below.

*(a) Share-based payments*

As disclosed in Note 32, the Company granted equity-settled share options and restricted share units to certain directors, senior management, employees and consultants. Significant estimate on assumptions in determining the fair value of the granted share options and RSUs include risk-free interest rate, expected volatility and dividend yield.

*(b) Impairment of trade receivables*

The loss allowance for financial assets disclosed in Note 3.1 is based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of the Group's trade receivables are disclosed in Note 23.

*(c) Income taxes and deferred income tax*

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 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.

**5 Segment information**

The executive director of the Company has been identified as the chief operating decision-maker of the Group who reviews the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 5 Segment information (continued)

The revenue of the Group are primarily derived from artificial intelligence service, so no operating segment information is presented.

No geographical segment information is presented as all the revenue and operating losses of the Group are derived within PRC and all 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 2020 and nine months ended 30 September 2020 and 2021 is as follows:

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February	31 December		30 September	
	to	2019	2020	2020	2021
	31 December	RMB'000	RMB'000	RMB'000	RMB'000
	2018			(Unaudited)	
	RMB'000				
Customer A .....	*	*	53,645	53,645	*
Customer B .....	*	*	*	*	77,337
Customer C .....	*	*	*	*	58,088
Customer D .....	*	*	*	41,132	*

\* Less than 10%

### 6 Revenue

An analysis of revenue is as follows:

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	RMB'000	RMB'000	RMB'000	RMB'000
	RMB'000			(Unaudited)	
Point in time					
—Sales of products and solutions .....	36,545	224,408	451,726	291,403	541,927
Over time					
—Services of data solutions .....	663	4,733	10,598	6,236	11,088
	<u>37,208</u>	<u>229,141</u>	<u>462,324</u>	<u>297,639</u>	<u>553,015</u>

### 7 Other income

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	RMB'000	RMB'000	RMB'000	RMB'000
	RMB'000			(Unaudited)	
Government grants(i) .....	6,856	27,125	34,952	21,650	14,421

(i) Government grants provided to the Group mainly related to financial assistance from the local government in the PRC.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 8 Other gains/(losses), net

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to	2019	2020	2020	2021
	31 December				
2018	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interests received on FVPL . . . . .	142	1,119	—	—	4,883
Foreign exchange losses . . . . .	—	—	—	—	(5,750)
Donation . . . . .	—	—	(277)	(277)	(400)
Losses on disposal of property, plant and equipment . . . . .	—	(137)	(3)	(1)	(5)
Others . . . . .	1	(46)	(10)	(147)	227
	<u>143</u>	<u>936</u>	<u>(290)</u>	<u>(425)</u>	<u>(1,045)</u>

## 9 Expenses by nature

	Period from	Year ended 31 December		Nine months ended	
	6 February to	2019	2020	2020	2021
	31 December				
2018	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefit expenses (Note 12) . . . .	62,833	199,622	311,710	221,424	434,255
Material costs . . . . .	2,889	76,326	228,160	131,497	264,414
Subcontracting costs . . . . .	13,105	88,330	146,621	95,736	175,247
Listing expenses . . . . .	—	—	—	—	26,558
Depreciation of property, plant and equipment (Note 17) . . . . .	324	8,213	15,801	11,413	14,782
Service fee . . . . .	3,718	23,343	19,368	6,084	7,914
Travelling expenses . . . . .	3,782	9,063	8,047	5,509	5,441
Depreciation of right-of-use assets (Note 18) . . . . .	545	2,607	6,834	5,142	5,277
Recruiting and training expenses . . . . .	7,428	6,880	2,539	937	3,355
Rental and property management expenses . . . . .	148	3,677	3,111	2,657	3,588
Marketing expenses . . . . .	12,597	46,415	7,984	2,716	7,284
Amortisation of intangible assets (Note 19) . . . . .	17	207	207	155	204
Auditors' remuneration . . . . .	94	61	212	87	113
Share-based payment expenses to investor (Note 32) . . . . .	2,787	—	—	—	—
Other expenses . . . . .	2,622	8,918	14,243	7,965	12,685
	<u>112,889</u>	<u>473,662</u>	<u>764,837</u>	<u>491,322</u>	<u>961,117</u>



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 10 Finance costs and income

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance costs:					
Finance costs of financial liabilities of redeemable shares (Note 38) . . . . .	(2,457)	(35,158)	(82,406)	(52,729)	(34,877)
Interest expenses on lease liabilities (Note 18) . . . . .	(130)	(441)	(705)	(519)	(447)
Total finance costs . . . . .	(2,587)	(35,599)	(83,111)	(53,248)	(35,324)
Finance income:					
Interest income from bank deposits . . . . .	979	9,499	9,449	6,228	15,507
Finance costs and income—net . . .	<u>(1,608)</u>	<u>(26,100)</u>	<u>(73,662)</u>	<u>(47,020)</u>	<u>(19,817)</u>

## 11 Income tax expense

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax on profits for the period/year . . . . .	29	303	172	8,356	2,571
Deferred income tax (Note 34) . . . .	—	—	—	—	—
Income tax expense . . . . .	<u>29</u>	<u>303</u>	<u>172</u>	<u>8,356</u>	<u>2,571</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 11 Income tax expense (continued)

The difference between the actual income tax expense charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to loss before taxation can be reconciled as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before taxation . . . . .	(71,145)	(248,056)	(360,463)	(224,654)	(435,448)
Tax calculated at tax rates applicable to profits of the respective subsidiaries . . . . .	(17,786)	(62,014)	(90,116)	(56,164)	(108,862)
Preferential tax of certain subsidiaries . . . . .	644	11,730	12,606	9,892	8,220
Expenses not deductible for tax purposes . . . . .	6,667	22,273	53,632	36,308	81,026
Super deductions from research and development expenditures . . . . .	(4,247)	(11,687)	(11,969)	(6,555)	(9,602)
Utilisation of the tax losses unrecognized previously . . . . .	—	—	—	(240)	(1,770)
Temporary difference for which no deferred tax asset was recognized . . . . .	1,369	3,109	4,891	1,183	7,086
Tax losses for which no deferred tax asset was recognized . . . . .	13,382	36,892	31,128	23,932	26,473
Income tax expense . . . . .	29	303	172	8,356	2,571

The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

AInnovation (Beijing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises in 2019. AInnovation (Guangzhou) Technology Co., Ltd., AInnovation (Hefei) Technology Co., Ltd. and AInnovation (Chongqing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises in 2020. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years commencing from the years when these companies are recognized as High New Tech Enterprises.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 12 Employee benefit expenses

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to				
	31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses . . . . .	31,209	106,781	155,280	110,483	112,342
Pension costs-defined contribution plans . . . . .	3,930	13,461	2,143	2,003	8,375
Other social security and housing fund . . . . .	5,466	21,656	16,179	12,301	12,088
Share-based payment expenses . . . . .	20,552	53,230	133,750	93,691	295,585
Other employee benefits . . . . .	1,676	4,494	4,358	2,946	5,865
	<u>62,833</u>	<u>199,622</u>	<u>311,710</u>	<u>221,424</u>	<u>434,255</u>

## 13 Emoluments of the directors and the five highest paid individuals

## (a) Directors' and the chief executive officer's emoluments

The remuneration of every director and the chief executive officer is set out below:

For the period from 6 February 2018 to 31 December 2018:

Name	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Chairman:</u>					
Dr. Kai-Fu Lee . . . . .	—	—	—	—	—
<u>Chief executive officers:</u>					
Mr. Xu Hui* . . . . .	1,466	33	43	5,356	6,898
<u>Directors:</u>					
Mr. Wang Hua . . . . .	—	—	—	—	—
Ms. Tao Ning . . . . .	—	—	—	—	—
Ms. Wang Jing . . . . .	1,383	—	—	3,417	4,800
Mr. Wang Yonggang . . . . .	—	—	—	2,662	2,662
Mr. Jiang Shaoqing** . . . . .	—	—	—	—	—
<u>Supervisor:</u>					
Ms. Lin Ying . . . . .	—	—	—	—	—
Total: . . . . .	<u>2,849</u>	<u>33</u>	<u>43</u>	<u>11,435</u>	<u>14,360</u>

Dr. Kai-Fu Lee, Mr. Wang Hua, Ms. Tao Ning, Ms. Wang Jing, and Mr. Wang Yonggang were appointed as directors in February 2018, which is the date of establishment, and Mr. Wang Yonggang resigned as director in February 2019. Ms. Lin Ying was appointed as supervisor in February 2018.

\* Mr. Xu Hui was appointed as chief executive officer of the Company in February 2018. Mr. Xu Hui was appointed as directors in April 2018.

\*\* Mr. Jiang Shaoqing was appointed as the director of the Company in June 2018.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 13 Emoluments of the directors and the five highest paid individuals (continued)

(a) Directors' and the chief executive officer's emoluments—(Continued)

For the year ended 31 December 2019:

Name	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Chairman:</u>					
Dr. Kai-Fu Lee	—	—	—	—	—
<u>Chief executive officer:</u>					
Mr. Xu Hui	1,661	49	66	21,785	23,561
<u>Directors:</u>					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning	—	—	—	—	—
Ms. Wang Jing	1,159	31	64	1,939	3,193
Mr. Wang Yonggang	—	—	—	—	—
Mr. Jiang Shaoqing	—	—	—	—	—
Mr. Zhang Fa'en*	1,817	50	76	11,792	13,735
Mr. Liang Guozhong*	—	—	—	—	—
Mr. Fang Yimin*	—	—	—	—	—
Mr. Zhou Wei**	—	—	—	—	—
Ms. Zou Yanshu***	—	—	—	—	—
<u>Supervisor:</u>					
Ms. Lin Ying	—	—	—	—	—
Total:	<u>4,637</u>	<u>130</u>	<u>206</u>	<u>35,516</u>	<u>40,489</u>

\* Mr. Zhang Fa'en, Mr. Liang Guozhong and Mr. Fang Yimin was appointed as the director of the Company in January 2019.

\*\* Mr. Zhou Wei was appointed as the director of the Company in February 2019.

\*\*\* Ms. Zou Yanshu was appointed as the director of the Company in December 2019.

For the year ended 31 December 2020:

Name	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Chairman:</u>					
Dr. Kai-Fu Lee	—	—	—	—	—
<u>Chief executive officer:</u>					
Mr. Xu Hui	1,619	8	53	71,518	73,198
<u>Directors:</u>					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning	—	—	—	—	—
Ms. Wang Jing	290	8	60	816	1,174
Mr. Jiang Shaoqing	—	—	—	—	—
Mr. Zhang Fa'en	1,651	8	60	17,361	19,080
Mr. Liang Guozhong	—	—	—	—	—
Mr. Fang Yimin	—	—	—	—	—
Mr. Zhou Wei	—	—	—	—	—
Ms. Zou Yanshu	—	—	—	—	—
<u>Supervisor:</u>					
Ms. Lin Ying	—	—	—	—	—
Total:	<u>3,560</u>	<u>24</u>	<u>173</u>	<u>89,695</u>	<u>93,452</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 13 Emoluments of the directors and the five highest paid individuals (continued)

(a) Directors' and the chief executive officer's emoluments—(Continued)

For the nine months ended 30 September 2020 (Unaudited):

<u>Name</u>	<u>Wages, salaries and bonuses</u>	<u>Pension costs-defined contribution plans</u>	<u>Other social security and housing fund</u>	<u>Share-based payment expenses</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Chairman:</u>					
Dr. Kai-Fu Lee .....	—	—	—	—	—
<u>Chief executive officer:</u>					
Mr. Xu Hui .....	1,058	8	41	51,941	53,048
<u>Directors:</u>					
Mr. Wang Hua .....	—	—	—	—	—
Ms. Tao Ning .....	—	—	—	—	—
Ms. Wang Jing .....	180	8	46	643	877
Mr. Jiang Shaoqing .....	—	—	—	—	—
Mr. Zhang Fa'en .....	1,058	8	46	16,636	17,748
Mr. Liang Guozhong .....	—	—	—	—	—
Mr. Fang Yimin .....	—	—	—	—	—
Mr. Zhou Wei .....	—	—	—	—	—
Ms. Zou Yanshu .....	—	—	—	—	—
<u>Supervisor:</u>					
Ms. Lin Ying .....	—	—	—	—	—
Total: .....	<u>2,296</u>	<u>24</u>	<u>133</u>	<u>69,220</u>	<u>71,673</u>

For the nine months ended 30 September 2021:

<u>Name</u>	<u>Wages, salaries and bonuses</u>	<u>Pension costs-defined contribution plans</u>	<u>Other social security and housing fund</u>	<u>Share-based payment expenses</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Chairman:</u>					
Dr. Kai-Fu Lee .....	—	—	—	—	—
<u>Chief executive officer:</u>					
Mr. Xu Hui .....	1,137	42	42	57,721	58,942
<u>Directors:</u>					
Mr. Wang Hua .....	—	—	—	—	—
Ms. Tao Ning** .....	—	—	—	—	—
Ms. Wang Jing** .....	120	25	27	125	297
Mr. Jiang Shaoqing** .....	—	—	—	—	—
Mr. Zhang Fa'en** .....	822	25	27	899	1,773
Mr. Liang Guozhong** .....	—	—	—	—	—
Mr. Fang Yimin** .....	—	—	—	—	—
Mr. Zhou Wei .....	—	—	—	—	—
Ms. Zou Yanshu** .....	—	—	—	—	—
Mr. Xie Deren* .....	156	—	—	—	156
Ms. Siu Hera Kitwan* .....	125	—	—	—	125
Ms. Gao Yingxin* .....	125	—	—	—	125
<u>Supervisor:</u>					
Ms. Lin Ying .....	—	—	—	—	—
Mr. Gu Xuan Richard* .....	—	—	—	—	—
Mr. Nie Mingming* .....	146	21	19	—	186
Total: .....	<u>2,631</u>	<u>113</u>	<u>115</u>	<u>58,745</u>	<u>61,604</u>

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****13 Emoluments of the directors and the five highest paid individuals (continued)****(a) Directors' and the chief executive officer's emoluments—(Continued)**

\* Mr. Xie Deren, Ms. Siu Hera Kitwan and Ms. Gao Yingxin were appointed as independence directors in May 2021. Mr. Gu Xuan Richard and Mr. Nie Mingming were appointed as supervisors in May 2021.

\*\* Ms. Tao Ning, Ms. Wang Jing, Mr. Jiang Shaoqing, Mr. Zhang Fa'en, Mr. Liang Guozhong, Mr. Fang Yimin and Ms. Zou Yanshu resigned as directors in May 2021.

**(i) Directors' retirement benefits**

None of the directors received or will receive any retirement benefits for the Track Record Period.

**(ii) Directors' termination benefits**

None of the directors received or will receive any termination benefits for the Track Record Period.

**(iii) Consideration provided to third parties for making available directors' services**

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

**(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

There are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

**(v) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****13 Emoluments of the directors and the five highest paid individuals (continued)**(v) *Directors' material interests in transactions, arrangements or contracts (continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the period from 6 February 2018 to 31 December 2018 and years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 included 1, 2, 2, 2 and 1 director(s), respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals during the Track Record Period are as follows:

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to	31 December		2020	2021
	31 December	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses . . . . .	3,345	3,489	1,915	1,987	2,270
Pension costs-defined contribution plans . . . . .	57	116	8	18	91
Other social security and housing fund . . . . .	69	197	92	110	100
Share based payment expenses . . . .	10,827	4,947	20,166	8,131	92,362
	<u>14,298</u>	<u>8,749</u>	<u>22,181</u>	<u>10,246</u>	<u>94,823</u>

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****13 Emoluments of the directors and the five highest paid individuals (continued)**(v) *Directors' material interests in transactions, arrangements or contracts (continued)*

(b) Five highest paid individuals—(Continued)

The emoluments of the five highest paid individuals except for the director(s), whose emoluments have been disclosed above, fell within the following bands:

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to 31 December	2019	2020	2020	2021
				(Unaudited)	
Nil to HKD 1,000,000 . . . . .	—	—	—	—	—
HKD 1,000,000 to HKD 2,000,000 . . . . .	1	—	—	—	—
HKD 2,000,000 to HKD 3,000,000 . . . . .	—	1	—	2	—
HKD 3,000,000 to HKD 4,000,000 . . . . .	1	2	—	—	—
HKD 4,000,000 to HKD 5,000,000 . . . . .	—	—	1	—	—
HKD 5,000,000 to HKD 6,000,000 . . . . .	1	—	1	—	—
HKD 6,000,000 to HKD 7,000,000 . . . . .	1	—	—	1	—
HKD 7,000,000 to HKD 8,000,000 . . . . .	—	—	—	—	—
HKD 8,000,000 to HKD 9,000,000 . . . . .	—	—	—	—	—
HKD 9,000,000 to HKD 10,000,000 . . . . .	—	—	—	—	—
HKD 10,000,000 to HKD 11,000,000 . . . . .	—	—	—	—	—
HKD 11,000,000 to HKD 12,000,000 . . . . .	—	—	—	—	—
HKD 12,000,000 to HKD 13,000,000 . . . . .	—	—	—	—	—
HKD 13,000,000 to HKD 14,000,000 . . . . .	—	—	—	—	1
HKD 14,000,000 to HKD 15,000,000 . . . . .	—	—	—	—	—
HKD 15,000,000 to HKD 16,000,000 . . . . .	—	—	—	—	1
HKD 18,000,000 to HKD 19,000,000 . . . . .	—	—	—	—	1
	<u>4</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>

1) For Zou Quan, his emoluments for the year 2020 are between HKD 15,000,000 to HKD 16,000,000 and his emoluments for nine months ended 30 September 2021 are between HKD 67,000,000 to HKD 68,000,000, which are excluded in this table.

**14 Dividends**

No dividend has been paid or declared by the Company or companies comprising the Group during the Track Record Period.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 15 Loss per share

## (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the Track Record Period. The weighted average number of ordinary shares deemed in issue before the conversion into a joint stock company was determined as assuming that:

- (1) The Redeemable Shares were treated as treasury share before the cancellation of redeemable rights as described in Note 29. So, the related capital was deducted from the paid-in capital before the cancellation of redeemable rights for the purpose of calculating the number of ordinary shares deemed in issue;
- (2) The remaining paid-in capital had been fully converted into number of ordinary shares deemed in issue at the same conversion ratio of 1:1 as upon transformation into joint stock company;
- (3) The above number of ordinary shares had been further retrospectively adjusted for the effect of shares conversion from share premium into share capital at the conversion ratio of 1:17 as described in Note 28.

	Period from	Year ended 31 December		Nine months ended	
	6 February to 31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss from continuing operation attributable to the ordinary equity holders of the Company	(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Weighted average number of ordinary shares in issue ('000)	183,880	223,382	241,859	238,912	421,429
Basic loss per share (RMB)	<u>(0.38)</u>	<u>(1.09)</u>	<u>(1.49)</u>	<u>(0.98)</u>	<u>(1.03)</u>

The calculation of weighted average number of ordinary shares in issue is issued as below:

	Period from	Year ended 31 December		Nine months ended	
	6 February to 31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	'000	'000	'000	'000	'000
				(Unaudited)	
Weighted average amount of paid-in capital/share capital	10,858	17,632	21,459	20,872	26,765
Less: Weighted average amount of Redeemable Shares in paid-in capital before the cancellation of redeemable rights	<u>(642)</u>	<u>(5,222)</u>	<u>(8,022)</u>	<u>(7,599)</u>	<u>(3,352)</u>
Weighted average amount of remaining paid-in capital/share capital	10,216	12,410	13,437	13,273	23,413
Weighted average number of ordinary shares in issue at the conversion ratio of 1:1	10,216	12,410	13,437	13,273	23,413

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 15 Loss per share (continued)

	Period from	Year ended 31 December		Nine months ended	
	6 February to 31 December	2019	2020	2020	2021
	2018	'000	'000	'000	'000
				(Unaudited)	
Add: Shares conversion from share premium into share capital at the conversion ratio of 1:17 .....	173,664	210,972	228,422	225,639	398,016
Weighted average number of ordinary shares in issue ('000) .....	183,880	223,382	241,859	238,912	421,429

## (b) Diluted loss per share

As the Group incurred losses for the Track Record Period, 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 Track Record Period are the same as basic loss per share of the respective period/year.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Investment in subsidiaries—the Company

	As at 31 December		As at 30 September	
	2018	2019	2020	2021
Investment in unlisted shares (i)	RMB'000	RMB'000	RMB'000	RMB'000
Share-based payments for subsidiaries	38,570	115,280	247,310	262,550
	2,452	5,751	23,541	63,207
	41,022	121,031	270,851	325,757

(i) Investment in unlisted shares

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital		Attributable equity interest to the Company				Principal activities and place of operation		
			As at 31 December		As at 31 December		As at 30 September				
			2018	2019	2018	2019	2018	2019			
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Alnovation (Beijing) Technology Co., Ltd. ....	Limited liability company	The PRC 24 April 2018	10,000	10,000	10,000	10,000	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Chongqing) Technology Co., Ltd. ....	Limited liability company	The PRC 7 June 2018	10,000	10,000	10,000	10,000	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Nanjing) Technology Co., Ltd. (iv) ...	Limited liability company	The PRC 15 June 2018	820	6,820	6,820	6,820	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Guangzhou) Technology Co., Ltd. ....	Limited liability company	The PRC 3 July 2018	20,000	20,000	20,000	20,000	80.00	80.00	80.00	80.00	Technology and software development, artificial intelligence research and product development, in the PRC

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 16 Investment in subsidiaries—the Company (continued)

## (i) Investment in unlisted shares (continued)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital			Attributable equity interest to the Company			Principal activities and place of operation	
			As at 31 December		As at 31 December		As at 31 December			
			2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2018 %	2019 %		2020 %
Alnovation (Hefei) Technology Co., Ltd. (v) . . .	Limited liability company	The PRC 25 July 2018	1,000	9,860	9,860	10,000	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Ningbo) Technology Co., Ltd. (vi) . . .	Limited liability company	The PRC 24 Aug 2018	750	2,000	—	—	100.00	100.00	—	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Chengdu) Technology Co., Ltd. . . . . .	Limited liability company	The PRC 26 February 2019	—	10,000	10,000	10,000	—	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Chongqing CISAI Technology Co., Ltd. . . . . .	Limited liability company	The PRC 29 March 2019	—	10,000	10,000	10,000	—	51.00	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Qingdao) Technology Co., Ltd. . . . . .	Limited liability company	The PRC 1 April 2019	—	20,000	20,000	20,000	—	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 16 Investment in subsidiaries—the Company (continued)

## (i) Investment in unlisted shares (continued)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Attributable equity interest to the Company				Principal activities and place of operation	
			As at 31 December		As at 31 December		As at 31 December		As at 31 December			
			2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2018 %	2019 %	2020 %	2021 %		
RewinCloud (Chongqing) Technology Co., Ltd. (vii) ..	Limited liability company	The PRC 14 June 2019	—	10,000	10,000	10,000	10,000	—	55.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Shanghai) Technology Co., Ltd. ....	Limited liability company	The PRC 30 September 2019	—	10,000	10,000	10,000	10,000	—	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Xi'an) Technology Co., Ltd. ....	Limited liability company	The PRC 28 October 2019	—	10,000	10,000	10,000	10,000	—	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Shenzhen) Technology Co., Ltd. ....	Limited liability company	The PRC 10 June 2020	—	—	10,000	10,000	10,000	—	—	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
China Railway Qizhi (Hefei) Technology Co., Ltd. ....	Limited liability company	The PRC 2 February 2021	—	—	—	10,000	10,000	—	—	—	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Zhejiang) Technology Co., Ltd. ....	Limited liability company	The PRC 23 February 2021	—	—	—	—	10,000	—	—	—	100.00	Technology and software development, artificial intelligence research and product development, in the PRC



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 16 Investment in subsidiaries—the Company (continued)

- (i) Investment in unlisted shares (continued)
- (i) The statutory financial statements of all subsidiaries for the period from 6 February 2018 to 31 December 2018 were audited by Beijing Xinghua Certified Public Accountants Co., Ltd. in the PRC.
- (ii) The statutory financial statements of all subsidiaries for the year ended 31 December 2019 were audited by Shenzhen Boqin Certified Public Accountants Co., Ltd. in the PRC.
- (iii) The statutory financial statements of all subsidiaries for the year ended 31 December 2020 were audited by Beijing Huimingwei Certified Public Accountants Co., Ltd. in the PRC.
- (iv) The paid-in capital of AInnovation (Nanjing) Technology Co., Ltd. was increased by RMB 6,000,000 to RMB 6,820,000 in 2019, which was injected by the Company.
- (v) The paid-in capital of AInnovation (Hefei) Technology Co., Ltd. was increased by RMB 8,860,000 to RMB 9,860,000 in 2019, and increased by RMB 140,000 to RMB 10,000,000 in 2021, which was injected by the Company.
- (vi) In October 2019, the registration of AInnovation (Ningbo) Technology Co., Ltd., a subsidiary, was deregistered.
- (vii) As at 31 December 2020, the Group completed the acquisition of 45% non-controlling interests in RewinCloud (Chongqing) Technology Co., Ltd., a subsidiary at a total consideration of approximately RMB 124,030,000, with RMB 101,630,000 paid in 2020 and RMB 22,400,000 was paid in October 2021.

As of the date of this report, there were no changes to the equity interests held by the Company in these subsidiaries since 30 September 2021.

- \* *The English name of the company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.*

### 17 Property, plant and equipment

	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at date 6 February 2018 (date of establishment)</b>				
Cost .....	—	—	—	—
Accumulated depreciation .....	—	—	—	—
<b>Net book amount .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Period from 6 February 2018 to 31 December 2018</b>				
Opening net book amount .....	—	—	—	—
Additions .....	42	19,366	4,646	24,054
Depreciation (Note 9) .....	(1)	(323)	—	(324)
Net book amount .....	41	19,043	4,646	23,730
<b>As at 31 December 2018</b>				
Cost .....	42	19,366	4,646	24,054
Accumulated depreciation .....	(1)	(323)	—	(324)
Net book amount .....	41	19,043	4,646	23,730

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 17 Property, plant and equipment (continued)

	Electronic equipment	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2019</b>					
Opening net book amount	—	41	19,043	4,646	23,730
Additions	2,435	1,546	—	30,225	34,206
Disposals	(105)	(31)	—	—	(136)
Depreciation (Note 9)	(780)	(205)	(7,228)	—	(8,213)
Transfer	2,110	463	27,348	(29,921)	—
Net book amount	<u>3,660</u>	<u>1,814</u>	<u>39,163</u>	<u>4,950</u>	<u>49,587</u>
<b>As at 31 December 2019</b>					
Cost	4,421	2,017	46,714	4,950	58,102
Accumulated depreciation	(761)	(203)	(7,551)	—	(8,515)
Net book amount	<u>3,660</u>	<u>1,814</u>	<u>39,163</u>	<u>4,950</u>	<u>49,587</u>
	Electronic equipment	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2020</b>					
Opening net book amount	3,660	1,814	39,163	4,950	49,587
Additions	7,423	982	—	15,314	23,719
Disposals	(17)	—	—	—	(17)
Depreciation (Note 9)	(2,238)	(464)	(13,099)	—	(15,801)
Transfers	—	—	15,446	(15,446)	—
Net book amount	<u>8,828</u>	<u>2,332</u>	<u>41,510</u>	<u>4,818</u>	<u>57,488</u>
<b>As at 31 December 2020</b>					
Cost	11,808	2,999	62,160	4,818	81,785
Accumulated depreciation	(2,980)	(667)	(20,650)	—	(24,297)
Net book amount	<u>8,828</u>	<u>2,332</u>	<u>41,510</u>	<u>4,818</u>	<u>57,488</u>
	Electronic equipment	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Nine months ended 30 September 2021</b>					
Opening net book amount	8,828	2,332	41,510	4,818	57,488
Additions	961	55	—	36,408	37,424
Disposals	(79)	—	—	—	(79)
Depreciation (Note 9)	(2,910)	(451)	(11,421)	—	(14,782)
Transfers	—	—	6,877	(6,877)	—
Net book amount	<u>6,800</u>	<u>1,936</u>	<u>36,966</u>	<u>34,349</u>	<u>80,051</u>
<b>As at 30 September 2021</b>					
Cost	12,658	3,054	69,037	34,349	119,098
Accumulated depreciation	(5,858)	(1,118)	(32,071)	—	(39,047)
Net book amount	<u>6,800</u>	<u>1,936</u>	<u>36,966</u>	<u>34,349</u>	<u>80,051</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 17 Property, plant and equipment (continued)

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	—	—	6	—	31
General and administrative expenses	80	2,694	4,558	4,006	5,983
Research and development expenses	180	4,090	8,609	5,292	6,336
Selling expenses	64	1,429	2,628	2,115	2,432
	<u>324</u>	<u>8,213</u>	<u>15,801</u>	<u>11,413</u>	<u>14,782</u>

## 18 Leases

## (i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December			As at 30 September 2021
	2018	2019	2020	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Right-of-use assets</b>				
Office	7,631	11,088	11,214	7,214
Plant	—	—	2,629	1,840
	<u>7,631</u>	<u>11,088</u>	<u>13,843</u>	<u>9,054</u>
<b>Lease liabilities</b>				
Current	1,597	4,633	5,233	3,712
Non-current	6,557	6,595	9,457	7,116
	<u>8,154</u>	<u>11,228</u>	<u>14,690</u>	<u>10,828</u>

Additions to the right-of-use assets during the period from 6 February 2018 to 31 December 2018 and years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 were RMB 8,176,000, RMB 6,064,000, RMB 9,589,000, RMB 9,589,000 and RMB 488,000 respectively.

## (ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Depreciation charge of right-of-use assets</b>					
Office	545	2,607	6,308	4,881	4,489
Plant	—	—	526	261	788
	<u>545</u>	<u>2,607</u>	<u>6,834</u>	<u>5,142</u>	<u>5,277</u>
Interest expense (included in finance costs)	130	441	705	519	447



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 19 Intangible assets (continued)

	<u>Software</u> <u>RMB'000</u>
<b>As at 31 December 2020</b>	
Cost .....	1,034
Accumulated amortisation .....	<u>(431)</u>
Net book amount .....	<u>603</u>
	<u>Software</u> <u>RMB'000</u>
<b>Nine months ended 30 September 2021</b>	
Opening net book amount .....	603
Additions .....	252
Amortisation charge (Note 9) .....	<u>(204)</u>
Net book amount .....	<u>651</u>
<b>As at 30 September 2021</b>	
Cost .....	1,286
Accumulated amortisation .....	<u>(635)</u>
Net book amount .....	<u>651</u>

Amortisation of the intangible assets has been recognized as follows:

	<u>Period from</u> <u>6 February to</u> <u>31 December</u>	<u>Year ended</u> <u>31 December</u>		<u>Nine months ended</u> <u>30 September</u>	
	<u>2018</u> <u>RMB'000</u>	<u>2019</u> <u>RMB'000</u>	<u>2020</u> <u>RMB'000</u>	<u>2020</u> <u>RMB'000</u>	<u>2021</u> <u>RMB'000</u>
				(Unaudited)	
General and administrative expenses .....	17	207	207	155	155
Research and development expenses .....	—	—	—	—	49
	<u>17</u>	<u>207</u>	<u>207</u>	<u>155</u>	<u>204</u>

## 20 Other non-current assets

	<u>As at 31 December</u>			<u>As at 30 September</u>
	<u>2018</u> <u>RMB'000</u>	<u>2019</u> <u>RMB'000</u>	<u>2020</u> <u>RMB'000</u>	<u>2021</u> <u>RMB'000</u>
Deposits .....	355	287	1,322	4,082
Prepayments for leasehold improvements .....	<u>6,650</u>	<u>1,312</u>	—	—
	<u>7,005</u>	<u>1,599</u>	<u>1,322</u>	<u>4,082</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 21 Financial instruments by category

	Note	As at 31 December			As at 30 September
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
FVOCI	25	—	6,564	4,043	27,093
FVPL	26	14,000	—	—	—
Financial assets at amortised cost:					
Other non-current assets	20	355	287	1,322	4,082
Trade and notes receivables	23	16,241	120,737	189,554	296,353
Other receivables	24	344	2,618	4,649	12,427
Amounts due from related parties	42	100	2	2,321	8,606
Restricted cash	27	7,447	2,979	1,491	206
Cash and cash equivalents	27	74,396	605,631	1,042,502	1,654,623
		98,883	732,254	1,241,839	1,976,297
		112,883	738,818	1,245,882	2,003,390

	Note	As at 31 December			As at 30 September
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost:					
Trade and notes payables	35	12,881	64,828	63,199	127,209
Other payables and accruals (excluding other tax payables, payroll and welfare payables)	36	10,575	10,690	45,517	41,805
Amounts due to related parties	42	177	14,703	931	773
Lease liabilities	18	8,154	11,228	14,690	10,828
Financial liabilities of redeemable shares	38	50,650	826,808	1,659,214	—
		82,437	928,257	1,783,551	180,615

## 22 Inventories

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	112	—	1,066	3,640
Work in progress	2,015	32,163	47,658	36,266
Finished goods	916	164	6,586	3,453
	3,043	32,327	55,310	43,359

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB 13,823,000, RMB 157,528,000, RMB 327,703,000, RMB 212,367,000 and RMB 382,091,000 for the period from 6 February 2018 to 31 December 2018 and the years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 respectively.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 23 Trade and notes receivables—the Group and the Company

## The Group

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable . . . . .	17,096	122,930	213,487	341,219
Less: provision for impairment . . . . .	(855)	(6,351)	(25,144)	(45,956)
	16,241	116,579	188,343	295,263
Notes receivables . . . . .	—	4,158	1,211	1,090
	<u>16,241</u>	<u>120,737</u>	<u>189,554</u>	<u>296,353</u>

As at 31 December 2019 and 2020 and 30 September 2021, notes receivables were bank acceptance notes aged less than six months.

The majority of the Group's receivables are with credit term mostly from 30 days to 180 days. At 31 December 2018, 2019 and 2020 and 30 September 2021, the aging analysis of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable				
Less than 3 months . . . . .	14,746	95,476	123,602	163,566
3 months to 6 months . . . . .	2,350	18,660	39,531	112,055
6 months to 12 months . . . . .	—	8,794	33,238	30,019
1 year to 2 years . . . . .	—	—	17,116	33,920
2 years to 3 years . . . . .	—	—	—	1,659
	<u>17,096</u>	<u>122,930</u>	<u>213,487</u>	<u>341,219</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the period/year . . . . .	—	855	6,351	25,144
Provisions for trade receivables . . . . .	855	5,496	18,812	20,812
Written off as uncollectible . . . . .	—	—	(19)	—
At the end of the period/year . . . . .	<u>855</u>	<u>6,351</u>	<u>25,144</u>	<u>45,956</u>

For the trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The Group's trade receivables were denominated in RMB.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 23 Trade and notes receivables—the Group and the Company (continued)

## The Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable . . . . .	1,624	2,232	8,405	73,493
Less: provision for impairment . . . . .	(81)	(135)	(601)	(3,472)
	<u>1,543</u>	<u>2,097</u>	<u>7,804</u>	<u>70,021</u>

As at 31 December 2018, 2019 and 2020 and 30 September 2021, there were no notes receivables.

The majority of the Company's receivables are with credit term mostly from 30 days to 180 days. At 31 December 2018, 2019 and 2020 and 30 September 2021, the aging analysis of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows :

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable . . . . .				
Less than 3 months . . . . .	1,224	1,566	5,420	57,074
3 months to 6 months . . . . .	400	58	—	14,079
6 months to 12 months . . . . .	—	608	1,497	2,252
1 year to 2 years . . . . .	—	—	1,488	88
	<u>1,624</u>	<u>2,232</u>	<u>8,405</u>	<u>73,493</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the period/year . . . . .	—	81	135	601
Provisions for trade receivables . . . . .	81	54	466	2,871
Written off as uncollectible . . . . .	—	—	—	—
At the end of the period/year . . . . .	<u>81</u>	<u>135</u>	<u>601</u>	<u>3,472</u>

For the trade receivables, the Company has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The Company's trade receivables were denominated in RMB.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 24 Prepayments and other receivables—the Group and the Company

## The Group

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Recoverable value-added tax (“VAT”) . . . . .	1,021	8,165	16,722	16,715
Prepayments to vendors . . . . .	2,229	12,407	5,422	15,151
Deposits . . . . .	115	2,150	1,955	4,606
Recoverable income tax . . . . .	—	—	536	2,540
Others . . . . .	229	468	2,694	7,821
	<u>3,594</u>	<u>23,190</u>	<u>27,329</u>	<u>46,833</u>

## The Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Recoverable value-added tax (“VAT”) . . . . .	—	751	2,883	4,524
Recoverable income tax . . . . .	—	—	—	2,004
Prepayments to vendors . . . . .	95	10,000	53	3,083
Others . . . . .	161	133	—	6,069
	<u>256</u>	<u>10,884</u>	<u>2,936</u>	<u>15,680</u>

The carrying amounts of other receivables approximate their fair values.

## 25 Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current</b>				
Equity investments				
—Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd . . .	—	118	106	—
	<u>—</u>	<u>118</u>	<u>106</u>	<u>—</u>
<b>Current</b>				
Debt investments				
—bank acceptance notes (i) . . . . .	—	6,446	3,937	18,722
—commercial acceptance notes (i) . . . . .	—	—	—	8,371
	<u>—</u>	<u>6,564</u>	<u>4,043</u>	<u>27,093</u>

(i) As at 31 December 2018, 2019 and 2020 and 30 September 2021, notes receivable were bank and commercial acceptance notes aged less than six months, and included a total amount of nil, nil, RMB 1,000,000 and nil that have been endorsed to the suppliers, respectively.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 26 Financial assets at fair value through profit or loss

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current</b>				
Structured deposits .....	<u>14,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

All structured deposits as at 31 December 2018 are dominated in RMB and interests unguaranteed.

## (i) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

## 27 Cash and cash equivalents and restricted cash

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank .....	81,843	608,610	1,043,993	1,654,829
Less: Restricted cash (a) .....	(7,447)	(2,979)	(1,491)	(206)
Cash and cash equivalents (b) .....	<u>74,396</u>	<u>605,631</u>	<u>1,042,502</u>	<u>1,654,623</u>

## (a) Restricted cash

The breakdown of restricted cash by nature as at 31 December 2018, 2019 and 2020 and 30 September 2021 is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits for issuing bank acceptance notes .....	—	—	663	—
Deposits for issuing letters of credit .....	—	—	192	192
Other restricted cash .....	<u>7,447</u>	<u>2,979</u>	<u>636</u>	<u>14</u>
	<u>7,447</u>	<u>2,979</u>	<u>1,491</u>	<u>206</u>

## (b) Cash and cash equivalents

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current bank deposits .....	<u>74,396</u>	<u>605,631</u>	<u>1,042,502</u>	<u>1,654,623</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 27 Cash and cash equivalents and restricted cash (continued)

(c) Cash at bank are denominated in

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
RMB .....	81,843	608,610	1,043,993	1,654,828
USD .....	—	—	—	1
	<u>81,843</u>	<u>608,610</u>	<u>1,043,993</u>	<u>1,654,829</u>

## 28 Paid-in capital and share capital—the Group and the Company

Paid-in capital and share capital as at 31 December 2018, 2019 and 2020 and 30 September 2021, represented the paid-in capital and share capital of the Group and the Company.

	Paid-in Capital (a)	Share Capital (b)	Numbers of Shares
	RMB'000	RMB'000	
As at 31 December 2018 .....	13,483	—	—
As at 31 December 2019 .....	20,872	—	—
As at 31 December 2020 .....	24,105	—	—
As at 30 September 2021 .....	—	514,560	514,560,438

(a) Paid-in Capital

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the period/year ...	—	13,483	20,872	20,872	24,105
Capital injection (ii) .....	13,483	7,342	3,233	—	2,446
Other addition (iii) .....	—	47	—	—	—
Conversion into a joint stock company (iv) .....	—	—	—	—	(26,551)
At the end of the period/year .....	<u>13,483</u>	<u>20,872</u>	<u>24,105</u>	<u>20,872</u>	<u>—</u>

The Company was established on 6 February 2018 with an initial authorized registered and paid-in capital of RMB 10,000,000.

- The Company was a limited liability company before the Company changed the type of enterprise from a limited liability company to a joint stock company on 19 May 2021, and 1 RMB paid-in capital is referred to as 1 unit capital ('Unit Capital').
- Pursuant to the shareholders' resolution passed in the Track Record Period, the Company received new capitals in cash of 13,483,000, 7,342,000, 3,233,000, 2,446,000 Unit Capital respectively at total consideration of RMB 115,047,000, RMB 742,226,000, RMB 750,766,000 and RMB 102,135,000 respectively.
- Pursuant to the shareholders' agreement, one of Series Angel acquired 46,787 Unit Capital of which fair value is RMB 59.57 per Unit Capital with no considerations. Share-based payment expenses of RMB 2,787,000 were recognized (Note 9).

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****28 Paid-in capital and share capital—the Group and the Company (continued)**

(iv) On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB 1,718,968,000, were converted into 26,551,000 ordinary shares at RMB 1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share based payments was credited to the Company's share premium.

**(b) Share capital**

	<b>Nine months ended 30 September</b>
	<b>2021</b>
	<b>RMB'000</b>
At the beginning of the period .....	—
Conversion into a joint stock company .....	26,551
Capital injection (i) .....	2,035
Conversion of share premium into share capital (ii) .....	485,974
At the end of the period .....	<u>514,560</u>

(i) Pursuant to a capital increase agreement dated 21 May 2021, SVF II Zeal Subco (Singapore) Pte. Ltd. subscribed for an increased share capital of RMB 2,035,000 with a consideration of USD 115,000,000 which is equivalent to RMB 736,344,000.

(ii) On 3 June 2021, the share capital of the Company was increased to RMB 514,560,438 by way of conversion of share premium into share capital in the same shareholders' portion according to the existing shareholding structure.

**29 Capital reserve and share premium—the Group and the Company**

Capital reserve of the Group and the Company represents the capital contribution premium from shareholders and deduction for obligation as a result of additional redeemable rights. Where the Company received capitals at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over paid-in capital shall be classified as capital contribution premium.

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along right, etc. The Company recognized the present value of expected redemption amount of the Redeemable Shares at the date of capital injection as financial liabilities carried at amortised cost (Note 38). On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, darg-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB 1,718,968,000, were converted into 26,551,000 ordinary shares at RMB 1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company's share premium.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 30 Other reserves

## The Group

Other reserves of the Group during the Track Record Period comprises changes in the fair value of certain investments in equity securities in OCI, deduction arising from transactions with non-controlling interests, and share-based payment reserve. The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.10. These changes are accumulated within the FVOCI reserve within equity.

	Financial assets at FVOCI(i)	Share- based payment reserve (Note 32)	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 6 February 2018	—	—	—	—
Share-based payment expenses (Note 32)	—	23,339	—	23,339
Balance at 31 December 2018	—	23,339	—	23,339
Share-based payment expenses (Note 32)	—	53,230	—	53,230
Changes in the fair value of equity investments at fair value through other comprehensive income (Note 25)	(1,682)	—	—	(1,682)
Balance at 31 December 2019	(1,682)	76,569	—	74,887
Share-based payment expenses (Note 32)	—	133,750	—	133,750
Transactions with non-controlling Interests (Note 16)	—	—	(118,796)	(118,796)
Changes in the fair value of equity investments at fair value through other comprehensive income	(712)	—	—	(712)
Balance at 31 December 2020	(2,394)	210,319	(118,796)	89,129
Share-based payment expenses (Note 32)	—	295,585	—	295,585
Changes in the fair value of equity investments at fair value through other comprehensive income	22	—	—	22
Disposal of financial assets at fair value through other comprehensive income	2,372	—	—	2,372
Balance at 30 September 2021	—	505,904	(118,796)	387,108

- (i) It mainly represents changes in the fair value of certain investments in equity securities in OCI. The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity.
- (ii) Pursuant to the agreement dated 30 April 2021, the Group disposed the financial assets at FVOCI of Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd. at a total consideration of RMB 128,000.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 30 Other reserves (continued)

## The Company

Other reserves of the Company is share-based payment reserve.

	Share-based payment reserve (Note 32)
	RMB'000
Balance at 6 February 2018 .....	—
Share-based payment expenses (Note 32) .....	23,339
Balance at 31 December 2018 .....	23,339
Share-based payment expenses (Note 32) .....	53,230
Balance at 31 December 2019 .....	76,569
Share-based payment expenses (Note 32) .....	133,750
Balance at 31 December 2020 .....	210,319
Share-based payment expenses (Note 32) .....	295,585
Balance at 30 September 2021 .....	<u>505,904</u>

## 31 Accumulated losses

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the period/year .....	—	(70,661)	(314,888)	(314,888)	(675,887)
Loss for the period/year .....					
— Attributable to owners of the Company .....	(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Conversion into a joint stock company .....	—	—	—	—	411,985
Disposal of financial assets at fair value through other comprehensive income .....	—	—	—	—	(2,372)
At the end of the period/year .....	<u>(70,661)</u>	<u>(314,888)</u>	<u>(675,887)</u>	<u>(549,843)</u>	<u>(701,762)</u>

## 32 Share-based payments

Share-based compensation benefits are provided to certain directors, senior management, employees and consultants via the Company's share incentive schemes, which includes the grant of RSUs and share options through several limited partnership entities.

In 2018, 8,844,000 share options and 28,690,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

In 2019, 1,967,000 share options and 9,293,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.



## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 32 Share-based payments (continued)

In 2020, 5,041,000 share options and 10,515,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

In the period nine months ended 30 September 2021, 5,107,000 share options and 14,728,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

10 unit share options and RSUs granted before the Company converted into joint stock company are equivalent to 1 Unit Capital as defined in Note 28 of the Company.

In the nine month ended 30 September 2021, pursuant to the Company's new share incentive schemes, dated 31 March 2021, which revised, restated and consolidated the Company's previous rounds share incentive schemes ("Old Incentive Schemes"), all share options granted under the Old Incentive Schemes was replaced with RSUs with all other conditions unchanged.

The following table summarizes the Group's share option activities:

	Period from 6 February to 31 December		Year ended 31 December				Nine months ended 30 September			
	2018		2019		2020		2020		2021	
	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options
	RMB	'000	RMB	'000	RMB	'000	RMB	'000	RMB	'000
<b>As at the beginning of the period/year . . . .</b>	—	—	0.1	8,844	0.1	9,200	0.1	9,200	0.1	11,725
Granted during the period/year . . . . .	0.1	8,844	0.1	1,967	0.1	5,041	0.1	4,330	0.1	5,107
Forfeited during the period/year . . . . .	—	—	0.1	(1,611)	0.1	(2,516)	0.1	(1,826)	0.1	(883)
Transferred to RSUs . . . . .	—	—	—	—	—	—	—	—	0.1	(15,949)
<b>As at the end of the period/year . . . . .</b>	<u>0.1</u>	<u>8,844</u>	<u>0.1</u>	<u>9,200</u>	<u>0.1</u>	<u>11,725</u>	<u>0.1</u>	<u>11,704</u>	<u>0.1</u>	<u>—</u>

The following table summarizes the Group's restricted shares activities:

	Period from 6 February to 31 December		Year ended 31 December		Nine months ended 30 September	
	2018		2019		2020	
	2020		2021			
	Number of restricted shares	Number of restricted shares	Number of restricted shares	Number of restricted shares	Number of restricted shares	Number of restricted shares
<b>As at the beginning of the period/year . . . . .</b>	—	28,690	37,983	37,983	44,985	44,985
Granted during the period/year . . . . .	28,690	9,293	10,515	10,515	14,728	14,728
Forfeited during the period/year . . . . .	—	—	(3,513)	(3,513)	(785)	(785)
Transferred from share options . . . . .	—	—	—	—	15,949	15,949
<b>As at the end of the period/year . . . . .</b>	<u>28,690</u>	<u>37,983</u>	<u>44,985</u>	<u>44,985</u>	<u>74,877</u>	<u>74,877</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 32 Share-based payments (Continued)

The share based payment expenses of the share options and RSUs will be amortized according to different vesting schedules which is mainly range from one year to four years with the proportion of achieving performance conditions.

#### Capital injection with low price

On 29 December 2018, one of Series Angel investor, Qingdao Innovation Zhicheng Technology Center (Limited Partnership) (“Innovation Zhicheng”), owned by key management acquired 46,787 Unit Capital of which fair value is RMB 54.83 per Unit Capital with cash considerations of RMB 1 per Unit Capital and the expense amounted to RMB 2,519,000 was included in employee benefit expenses for the period from 6 February to 31 December 2018 in Note 12.

On 30 December 2018, one of Series Angel investor, Chengwei Evergreen Equity Investment Partnership (Limited Partnership) (“Chengwei Evergreen”), acquired 46,787 Unit Capital of which fair value is RMB 59.57 per Unit Capital with no considerations and the expense amounted to RMB 2,787,000 was recorded as share-based payment expenses for the period from 6 February to 31 December 2018 to investor in Note 9.

The difference between the fair value of the unit capital and the cash considerations is recognized in profit or loss with a corresponding increase in equity.

#### The inputs into the model

The fair values of share options were calculated using the binomial option pricing model. The inputs into the model were as follows:

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to				
	31 December	2019	2020	2020	2021
	2018				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unit capital value of one					
share option . . . . .	2.91~4.97	6.15~12.27	15.89~22.02	15.89~21.87	26.49~26.67
Exercise price . . . . .	0.10	0.10	0.10	0.10	0.10
Expected volatility . . . . .	49.40%	49.00%~49.40%	48.60%~49.00%	48.60%~49.00%	48.60%
Risk-free rate . . . . .	3.34%~3.68%	3.14%~3.37%	2.72%~3.28%	2.72%~3.20%	3.22%~3.32%
Expected dividend					
yield . . . . .	0.00%	0.00%	0.00%	0.00%	0.00%

Expected volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. Risk-free rate was based on the market yield of PRC Treasury Curve and country risk differential as of the respective valuation dates.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Group's best estimate. The value of an option varies with different variables of certain subjective assumptions.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 32 Share-based payments (continued)

The fair values of the share options and RSUs granted to certain directors, senior management, employees and consultants during the Track Record Period were as follows:

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to				
	31 December	2019	2020	2020	2021
	2018				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value of one share					
option . . . . .	2.81~4.87	6.05~12.17	15.79~21.92	15.79~21.77	26.39~26.57
Fair value of one RSU . . . . .	0.90~2.81	10.51	21.77	21.77	26.57~34.18

Share-based payment expenses of RMB 23,339,000, RMB 53,230,000, RMB 133,750,000, RMB 93,691,000 and RMB 295,585,000 have been recognized in profit or loss for the period from 6 February 2018 to 31 December 2018 and the years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021.

### 33 Other non-current liabilities

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants . . . . .	39,143	55,387	48,459	38,987

Government grants provided to the Group mainly related to financial assistance from the local government in the PRC.

The amount of government grants that credited to the statement of comprehensive income is disclosed in Note 7.

### 34 Deferred income tax

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses expiring between 2-3 years . . . . .	—	—	5,166	5,166
Tax losses expiring between 3-4 years . . . . .	—	10,593	41,324	38,234
Tax losses expiring between 4-5 years . . . . .	49,334	83,452	47,887	109,761
Tax losses expiring between 7-8 years . . . . .	—	—	49,506	47,974
Tax losses expiring between 8-9 years . . . . .	—	44,079	162,884	162,884
Tax losses expiring between 9-10 years . . . . .	5,338	120,756	131,154	199,831
	54,672	258,880	437,921	563,850

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 34 Deferred income tax (continued)

Unrecognized temporary differences are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Temporary difference for which no deferred tax asset was recognized:				
—Provisions for impairment . . . . .	855	6,351	25,282	46,187
—Accrued expenses and others . . . . .	6,085	16,875	26,445	37,643
	<u>6,940</u>	<u>23,226</u>	<u>51,727</u>	<u>83,830</u>

## 35 Trade and notes payables

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable . . . . .	12,881	64,828	62,574	125,128
Notes payable . . . . .	—	—	625	2,081
	<u>12,881</u>	<u>64,828</u>	<u>63,199</u>	<u>127,209</u>

As at 31 December 2018, 2019 and 2020 and 30 September 2021, the aging analyses of the trade payables based on transaction date were as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months . . . . .	11,081	54,529	47,200	75,315
Between 3 months and 6 months . . . . .	1,800	9,490	2,199	42,888
Between 6 months and 1 year . . . . .	—	809	10,940	3,937
Between 1 year and 2 years . . . . .	—	—	2,860	4,260
Between 2 year and 3 years . . . . .	—	—	—	809
	<u>12,881</u>	<u>64,828</u>	<u>63,199</u>	<u>127,209</u>

The carrying amounts of trade and notes payables approximate their fair values.

## 36 Other payables and accruals—the Group and the Company

## The Group

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll and welfare payables . . . . .	10,664	22,224	34,524	35,217
Accruals and other payables . . . . .	10,575	10,690	23,117	19,405
Payables for acquisition of non-controlling interests to non-controlling shareholders(i) . . . . .	—	—	22,400	22,400
Other taxes payable . . . . .	883	1,824	4,859	5,412
	<u>22,122</u>	<u>34,738</u>	<u>84,900</u>	<u>82,434</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 36 Other payables and accruals—the Group and the Company (continued)

## The Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for acquisition of non-controlling interests to non-controlling shareholders(i) . . . . .	—	—	22,400	22,400
Accruals and other payables . . . . .	1,944	5,090	1,028	5,539
Payroll and welfare payables . . . . .	747	221	2,000	3,527
Other taxes payable . . . . .	176	22	550	827
	<u>2,867</u>	<u>5,333</u>	<u>25,978</u>	<u>32,293</u>

- (i) The Group completed the acquisition of 45% non-controlling interests in RewinCloud (Chongqing) Technology Co., Ltd., a subsidiary at a total consideration of approximately RMB 124,030,000 in 2020. RMB 101,630,000 was paid in 2020, and the remainder was paid in October 2021.

The carrying amounts of other payables and accruals approximate their fair values.

## 37 Contract liabilities

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Contract liabilities</b>				
—Sales of products and solutions . . . . .	<u>2,029</u>	<u>9,685</u>	<u>38,440</u>	<u>29,082</u>

- (i) The contract liabilities as at the 31 December 2020 increased since the Company received down-payment amounted to RMB 32,025,000 from 2 customers according to the payment term.
- (ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Period from	Year ended 31 December		Nine months ended 30 September	
	6 February to	2019	2020	2020	2021
	31 December	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period/year . . . . .	—	<u>2,029</u>	<u>9,685</u>	<u>3,216</u>	<u>35,067</u>

- (iii) Unsatisfied performance obligations

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
—Sales of products and solutions . . . . .	<u>42,879</u>	<u>106,557</u>	<u>235,265</u>	<u>473,659</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 37 Contract liabilities (continued)

The Group expects that unsatisfied performance obligations of approximately RMB 284,939,000 as of 30 September 2021 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB 188,720,000 will be recognized as revenue after 1 year but less than 3 years.

The revenue relating to data solutions are recognised based on the actual usage by the customer and thus the Group applied the expedient under IFRS 15 for not disclosing of unsatisfied performance obligation.

### 38 Financial liabilities of redeemable shares—the Group and the Company

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along right, etc. Before the investors withdraw these terms, the Company recognized the obligation of redeemable rights of the Redeemable Shares as financial liabilities at amortised cost, and financial cost is recognized in statements of comprehensive income on a time-proportion basis.

Series	Date of issuance	Total number of Unit Capital	Consideration per Unit Capital	Total consideration	Present value of expected redemption amount as of issue date
			RMB	RMB'000	RMB'000
Series Angel	29/6/2018	1,529,933	55.59	85,047	48,193
Series A	15/1/2019	2,125,199	92.83	197,280	197,280
Series A+	14/3/2019	2,097,603	101.89	213,720	213,720
Series B	20/12/2019	1,206,916	165.71	200,000	200,000
Series B+	27/12/2019	686,434	189.38	130,000	130,000
Series C	29/10/2020	2,466,798	304.04	750,000	750,000
Series C+	1/3/2021	310,857	321.69	100,000	100,000

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 38 Financial liabilities of redeemable shares—the Group and the Company (continued)

The movement of financial liabilities of redeemable shares are set out as below:

	RMB'000
As at 6 February 2018 .....	—
Issuance—present value:	
Series Angel .....	48,193
Financial cost (Note 10) .....	2,457
As at 31 December 2018 .....	<u>50,650</u>
Issuance—present value:	
Series A .....	197,280
Series A+ .....	213,720
Series B .....	200,000
Series B+ .....	130,000
Financial cost (Note 10) .....	35,158
As at 31 December 2019 .....	<u>826,808</u>
Issuance—present value:	
Series C .....	750,000
Financial cost (Note 10) .....	82,406
As at 31 December 2020 .....	<u>1,659,214</u>
Issuance – present value:	
Series C+ .....	100,000
Financial cost (Note 10) .....	34,877
Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights (i) .....	<u>(1,794,091)</u>
As at 30 September 2021 .....	<u>—</u>

- (i) On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

The key terms of the Redeemable Shares, which are relevant for the accounting treatment are summarized as follows:

#### *Redemption rights*

The holders of Redeemable Shares have the right to require the Company to redeem all or part of the Company's equity they hold, as well as the equity derived from bonuses, transfers and spin-offs of such equity when some events happen.

The redemption price shall be equal to the sum of the following three:

- (1) 100% of the subscription price of the company's equity held by each round of holders of these shares at that time;
- (2) the interest income calculated by different interests rates under different redemption situation; and



**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****38 Financial liabilities of redeemable shares—the Group and the Company (continued)**

- (3) all declared but undistributed dividends on the Company's equity held by the holders of these shares at that time.

*Liquidation preference*

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the holders of these shares shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares.

The liquidation price shall be equal to 100% of the consideration paid by the holders of these shares and all declared but undistributed dividends on the shares held by the holders of these shares, besides, some holders of these shares as agreed in the contract shall be also entitled to interest income calculated at a rate of 10% per annum.

If the Company still has surplus property after the holders of these shares have obtained their liquidation preference amount in full, all shareholders of the Company (including the investors) shall have the right to participate in the distribution of the remaining property of the Company in accordance with the relative proportion of the registered capital of the Company paid in accordance with their respective payments.

A liquidation event means: (a) bankruptcy, dissolution or liquidation of the Company; (b) the Company sells, leases or otherwise substantially disposes of most of its assets or businesses; (c) the Company is acquired, merged, or the actual controller of the Company changes, which materially affects the qualified listing of the Company; (d) the Company, founder shareholders, founding team and Sinovation Ventures (if applicable) failed to fulfil the agreed redemption obligations; (e) the Company licenses all or substantially all intellectual property rights to third parties for use; (f) the qualifications and licenses necessary for the current/planned business of the Company are generally invalidated or transferred to a third party, resulting in the Company being unable to continue the current/planned main business as a whole; or (g) other events specified in the Company's articles of association.

**39 Amounts due to/from subsidiaries—the Company**

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries .....	44,607	736,772	1,186,259	1,135,341
Amounts due to subsidiaries .....	(1,463)	(25,778)	(37,136)	(46,600)

- (i) The amounts due to/from subsidiaries is unsecured payable or receivable on demand.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 40 Cash used in operations

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax . . . . .	(71,145)	(248,056)	(360,463)	(244,654)	(435,448)
Adjustment for:					
Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset . . . . .	886	11,027	22,842	16,710	20,263
Losses on disposal of property, plant and equipment . . . . .	—	137	3	1	5
Interests received on FVPL . . . . .	(142)	(1,119)	—	—	(4,883)
Interest expenses on lease liabilities . . . . .	130	441	705	519	447
Interest income . . . . .	(979)	(9,499)	(9,449)	(6,228)	(15,507)
Net impairment losses on financial assets . . . . .	855	5,496	18,950	5,176	20,905
Share-based payment expenses . . . . .	23,339	53,230	133,750	93,691	295,585
Finance cost of financial liabilities of redeemable shares . . . . .	2,457	35,158	82,406	52,729	34,877
Net foreign exchange losses . . . . .	—	—	—	—	5,750
Operating loss before changes in working capital . .	(44,599)	(153,185)	(111,256)	(62,056)	(78,006)
Changes in working capital:					
(Increase)/decrease in inventories . . . . .	(3,043)	(29,284)	(22,983)	(28,132)	11,951
Increase in trade and notes receivables . . . . .	(17,096)	(109,992)	(87,610)	(52,493)	(127,611)
Increase in other operating assets . . . . .	(10,375)	(16,241)	(4,932)	(23,587)	(40,467)
Increase/(decrease) in trade and notes payables . . . .	12,881	51,947	(1,629)	1,023	64,010
Increase/(decrease) in contract liabilities . . . . .	2,029	7,656	28,755	(2,896)	(9,358)
Increase/(decrease) in other operating liabilities . . .	56,331	50,642	17,012	21,663	(8,408)
Cash used in operations . . . . .	<u>(3,872)</u>	<u>(198,457)</u>	<u>(182,643)</u>	<u>(146,478)</u>	<u>(187,889)</u>

## (a) Major non-cash transaction

For the period from 6 February 2018 to 31 December 2018 and years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021, the Group endorsed bank acceptance notes to the suppliers for purchase of goods amounting to approximately nil, RMB 1,000,000, RMB 4,700,000, RMB 3,700,000 and RMB 600,000, respectively.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 40 Cash used in operations (continued)

## (b) Net debt reconciliation

	Cash and cash equivalents	Lease liabilities	Financial liabilities of redeemable shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 6 February 2018 .....	—	—	—	—
Cash flows .....	74,396	152	(85,047)	(10,499)
Acquisitions and other non-cash movement .....	—	(8,306)	34,397	26,091
Net debt as at 31 December 2018 .....	74,396	(8,154)	(50,650)	15,592
Cash flows .....	531,235	3,431	(741,000)	(206,334)
Acquisitions and other non-cash movement .....	—	(6,505)	(35,158)	(41,663)
Net debt as at 31 December 2019 .....	605,631	(11,228)	(826,808)	(232,405)
Cash flows .....	436,871	6,832	(750,000)	(306,297)
Acquisitions and other non-cash movement .....	—	(10,294)	(82,406)	(92,700)
Net debt as at 31 December 2020 .....	1,042,502	(14,690)	(1,659,214)	(631,402)
Cash flows .....	612,121	4,797	(100,000)	516,918
Acquisitions and other non-cash movement .....	—	(935)	1,759,214	1,758,279
Net debt as at 30 September 2021 .....	<u>1,654,623</u>	<u>(10,828)</u>	<u>—</u>	<u>1,643,795</u>

## 41 Commitments

## Capital commitments

As at 31 December 2018, 2019 and 2020 and 30 September 2021, the Group had the following capital commitments:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
—Leasehold improvement .....	<u>8,779</u>	<u>5,106</u>	<u>—</u>	<u>30,606</u>

## 42 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 42 Related party transactions (continued)

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Company
Sinovation Ventures . . . . .	Shareholder of the Company
Xiamen Meituzhijia Technology Co., Ltd. . . . .	Under significant influence of Dr. Kai-Fu Lee, chairman of the Board of Directors of the Company
Hangzhou Feibu Technology Co., Ltd. . . . .	Under significant influence of Dr. Kai-Fu Lee, chairman of the Board of Directors of the Company
Beijing Innovation Ark Technology Co., Ltd. . . . .	Controlled by Wang Hua, member of the Board of Directors of the Company
Sinovation Ventures (Nanjing) Technology Limited . . . . .	Under common control by Sinovation Ventures
CISDI (Chongqing) Information Technology Co., Ltd. . . . .	Minority shareholder of a subsidiary
Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) . . . . .	Shareholder of the Company
Qingdao Xinnuo Zhida Technology Co., Ltd. . . . .	Other related company
Qingdao Xinnuo Zhicheng Technology Co., Ltd. . . . .	Other related company

Other than as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period.

- (b) Transactions with related parties

Significant related party transactions of the Group are listed as follows:

- (i) Services provided by related parties

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sinovation Ventures . . . . .	1,289	4,253	—	—	—
Beijing Innovation Ark Technology Co., Ltd. . . . .	2,264	1,886	—	—	—
	<u>3,553</u>	<u>6,139</u>	—	—	—

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 42 Related party transactions (continued)

## (b) Transactions with related parties (continued)

## (ii) Sales and services to related parties

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CISDI (Chongqing) Information Technology Co., Ltd. ....	—	—	32,106	1,062	17,254
Sinovation Ventures .....	47	—	734	734	1,453
Hangzhou Feibu Technology Co., Ltd. ....	12	—	—	—	—
Xiamen Meituzhijia Technology Co., Ltd. ....	192	—	—	—	—
	<u>251</u>	<u>—</u>	<u>32,840</u>	<u>1,796</u>	<u>18,707</u>

## (iii) Loans to related parties

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Qingdao Xinnuo Zhicheng Technology Co., Ltd. ....	—	50	—	—	—
Qingdao Xinnuo Zhida Technology Co., Ltd. ....	50	—	—	—	—
Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) .....	50	—	—	—	—
	<u>100</u>	<u>50</u>	<u>—</u>	<u>—</u>	<u>—</u>

## (iv) Repayment of loans from related parties

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Qingdao Xinnuo Zhicheng Technology Co., Ltd. ....	—	50	—	—	—
Qingdao Xinnuo Zhida Technology Co., Ltd. ....	—	50	—	—	—
Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) .....	—	50	—	—	—
	<u>—</u>	<u>150</u>	<u>—</u>	<u>—</u>	<u>—</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 42 Related party transactions (continued)

(b) Transactions with related parties (continued)

(v) Pay on behalf of the Group by a related party

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CISDI (Chongqing) Information Technology Co., Ltd. ....	—	479	543	445	170
	==	==	==	==	==

(vi) Sales of equity investments to a related party

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sinovation Ventures .....	—	—	—	—	128
	==	==	==	==	==

(c) Balances with related parties

(i) Receivables from related parties

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Trade</b>				
Accounts receivable				
—CISDI (Chongqing) Information Technology Co., Ltd. ....	—	—	1,893	7,316
—Sinovation Ventures .....	—	—	564	1,521
	—	—	2,457	8,837
Provisions .....	—	—	(138)	(231)
	—	—	2,319	8,606
	==	==	==	==
<b>Non-Trade</b>				
Other receivables				
—Sinovation Ventures (Nanjing) Technology Limited .....	—	2	2	—
—Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) .....	50	—	—	—
—Qingdao Xinnuo Zhida Technology Co., Ltd. ....	50	—	—	—
	100	2	2	—
	==	==	==	==

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

## 42 Related party transactions (continued)

(c) Balances with related parties (continued)

(ii) Payables to related parties

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Trade</b>				
Contract liabilities				
—CISDI (Chongqing) Information Technology Co., Ltd. . . . .	—	12,536	98	—
	<u>—</u>	<u>12,536</u>	<u>98</u>	<u>—</u>
	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-Trade</b>				
Other payables and accruals				
—CISDI (Chongqing) Information Technology Co., Ltd. . . . .	—	281	824	773
—Qingdao Xinnuo Zhida Technology Co., Ltd. . . . .	—	—	5	—
—Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) . . . . .	—	—	4	—
—Beijing Innovation Ark Technology Co., Ltd. . . . .	—	1,886	—	—
—Sinovation Ventures (Nanjing) Technology Limited . . . . .	177	—	—	—
	<u>177</u>	<u>2,167</u>	<u>833</u>	<u>773</u>

All the non-trade balances with related parties are expected to be settled upon listing.

(d) Key management compensation

Key management includes directors (executive and non-executive), supervisors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Period from	Year ended		Nine months ended	
	6 February to	31 December		30 September	
	31 December	2019	2020	2020	2021
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonus and other welfare . . . . .	3,854	6,385	4,738	3,615	5,520
Share-based payment expenses . . . . .	11,896	36,089	91,964	71,671	91,406
	<u>15,750</u>	<u>42,474</u>	<u>96,702</u>	<u>75,286</u>	<u>96,926</u>

## 43 Contingent liabilities

There are no significant contingent liabilities as at 31 December 2018, 2019 and 2020 and 30 September 2021.

## 44 Subsequent events

There is no significant subsequent event.



**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2021 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2021.

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 are 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 at 30 September 2021 as if the Global Offering had taken place on that date.

The 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 30 September 2021 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2021 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at 30 September 2021	Unaudited pro forma adjusted net tangible assets per Share (Note 3 and 4)	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$26.30 per H Share . . . .	1,874,126	900,920	2,775,046	4.96	6.07
Based on an Offer Price of HK\$27.30 per H Share . . . .	1,874,126	936,381	2,810,507	5.03	6.15

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*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2021 of RMB 1,874,777,000 with adjustments for the intangible assets as at 30 September 2021 of RMB 651,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$26.30 and HK\$27.30 per H share, respectively, after deduction of the estimated underwriting fees and other related expense payable by the Company (excluding listing expenses of approximately RMB 26,558,000 which have been accounted for in the consolidated statements of comprehensive income prior to 30 September 2021) and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 559,304,838 Shares were in issue assuming that the Global Offering have been completed on 30 September 2021 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8171.
- (5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2021.

*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 Qingdao AInnovation Technology Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Qingdao AInnovation Technology Group Co., Ltd. (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 30 September 2021 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 17 January 2022, 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 30 September 2021 as if the proposed initial public offering had taken place at 30 September 2021. 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 period ended 30 September 2021, 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 Control**

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 Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and 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 30 September 2021 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  
17 January 2022

*The estimated consolidated loss attributable to owners of our Company for the year ended 31 December 2021 is set out in the paragraph headed “Loss estimate for the year ended 31 December 2021” under the section headed “Financial information” in this prospectus.*

**A. BASES**

The Directors have prepared the estimate of the consolidated loss attributable to the owners of the Company for the year ended 31 December 2021 (the “Loss Estimate”) based on the audited consolidated results of the Group for the nine months ended 30 September 2021, the unaudited consolidated results of the Group for the two months ended 30 November 2021 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2021. The Loss Estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in note 2 to the Accountant’s Report set out in Appendix I to this prospectus.



**B. LETTER FROM THE REPORTING ACCOUNTANT**

*The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

The Board of Directors  
Qingdao AInnovation Technology Group Co., Ltd.

UBS Securities Hong Kong Limited  
China International Capital Corporation Hong Kong Securities Limited  
China Renaissance Securities (Hong Kong) Limited

17 January 2022

Dear Sirs,

Qingdao AInnovation Technology Group Co., Ltd. (the “Company”)

**Loss Estimate for Year Ended 31 December 2021**

We refer to the estimate of the consolidated loss attributable to owners of the Company for the year ended 31 December 2021 (the “Loss Estimate”) set forth in the section headed Financial Information in the prospectus of the Company dated 17 January 2022 (the “Prospectus”).

**Directors’ Responsibilities**

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2021, the unaudited consolidated results based on the management accounts of the Group for the two months ended 30 November 2021 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2021.

The Company’s directors are solely responsible for the Loss Estimate.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“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 Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated 17 January 2022, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong

**C. LETTER FROM THE JOINT SPONSORS**

*The following is the text of a letter, prepared for inclusion in this prospectus by the Joint Sponsors in connection with the estimate of our consolidated loss attributable to owners of the Company for the year ended December 31, 2021.*



The Board of Directors  
**Qingdao AInnovation Technology Group Co., Ltd**

January 17, 2022

We refer to the estimate of the consolidated loss attributable to the owners of Qingdao AInnovation Technology Group Co., Ltd (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) for the year ended December 31, 2021 (the “**Loss Estimate**”), for which the directors of the Company (the “**Directors**”) are solely responsible, as set forth in the section headed “Financial Information – Loss Estimate For The Year Ended December 31, 2021” in the prospectus of the Company dated January 17, 2022 (the “**Prospectus**”).

The Loss Estimate has been prepared by the Directors based on the audited consolidated results of the Group for the nine months ended September 30, 2021, and the unaudited consolidated results of the Group based on the management accounts for the two months ended November 30, 2021 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2021.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix III to the Prospectus, upon which the Loss Estimate has been made. We have also considered the letter dated January 17, 2022 addressed to you and us from the Company’s reporting accountant, PricewaterhouseCoopers, regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Loss Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of  
**UBS Securities Hong Kong  
Limited**

Evan Feng  
*Managing Director*

For and on behalf of  
**China International  
Capital Corporation Hong  
Kong Securities Limited**

Chen Wan  
*Managing Director*

For and on behalf of  
**China Renaissance Securities  
(Hong Kong) Limited**

William Tong  
*Managing Director*

*This Appendix sets forth summaries of laws and regulations relating to taxation in the PRC.*

## OVERVIEW OF TAX IMPLICATIONS OF PRC

### *Taxation on Dividends*

#### *Individual Investors*

Pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), which was last amended on August 31, 2018 and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a tax rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

#### *Enterprise Investors*

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected to such establishment or premise in the PRC. The aforesaid enterprise income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the State Administration of Taxation on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Share Shareholders of Overseas Non-Resident Enterprise (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) which was issued by the State Administration of Taxation on

November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to H Share shareholders of overseas non-resident enterprise for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Received by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) which was issued by the State Administration of Taxation on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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》) signed on August 21, 2006, Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於〈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〉第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

### *Tax Treaties*

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate.

### ***Taxation on Share Transfer***

#### *Value-Added Tax and Local Surcharges*

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the “Circular 36”), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the entities and individuals that sell services, intangible assets or immovable

properties within the territory of the PRC are value-added tax payers, and shall pay value-added tax instead of business tax. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to value-added tax at 6% on the taxable income.

Meanwhile, the taxpayers of value-added tax are also subject to urban maintenance and construction tax, education surcharge and local education surcharge.

### *Income Tax*

#### *Individual Investors*

According to the IIT Law and its implementation rules, gains realized on the sale of equity interests in the PRC-resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Declaring that Individual Income Tax Continues to be Exempted over Income from Transfer of Shares by Individuals (《財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued on March 30, 1998 and effective from January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On December 31, 2009, the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) which states that individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempted from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued by the three aforementioned authorities on November 10, 2010. As of the latest practicable date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-resident individuals on the sale of shares of PRC-resident enterprises listed on overseas stock exchanges.

#### *Enterprise Investors*

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or a premise in the PRC but the PRC-sourced income does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the enterprise income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to relevant treaties or agreements on avoidance of double taxation.

### *Stamp Duty*

Pursuant to the Provisional Regulations Concerning Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988 and amended on



January 8, 2011, the Implementation Rules of the Provisional Regulations Concerning Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, and Notice of Ministry of Finance and State Administration of Taxation on Revision of the Administrative Measures on Payment of Stamp Duties on a Regular and Consolidated Basis (《財政部、國家稅務總局關於改變印花稅按期匯總繳納管理辦法的通知》) effective as of November 5, 2004, PRC stamp duty only applies on specific proof executed or received within the PRC and with legally binding force in the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

## PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

### *Enterprise Income Tax*

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), as promulgated on March 16, 2007 and last amended on December 29, 2018, and the Implementing Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), as promulgated on December 6, 2007 and amended on April 23, 2019 (collectively the “**Enterprise Income Tax Law**”), enterprise income taxpayers shall include resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established within China, or is established under the law of a foreign country (region) but whose actual institution of management is within China. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within China but has offices or establishments within China; or which does not have any offices or establishments within China but has incomes sourced from China. The rate of enterprise income tax shall be 25%. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Small and Micro Enterprises (《財政部、稅務總局關於實施小微企業普惠性稅收減免政策的通知》) promulgated on January 17, 2019, during January 1, 2019 to December 31, 2021, the annual taxable income of a small low-profit enterprise that is not more than 1 million RMB shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is more than 1 million RMB nor more than 3 million RMB shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

Enterprises that are recognized as high-tech enterprises in accordance with the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to enjoy the preferential enterprise income tax rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise. The enterprise can re-apply for such recognition as a high-tech enterprise.

### *Value-added Tax*

According to the Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》), as announced by the State Council on December 13, 1993 and last amended on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax.



Unless otherwise provided by laws, the value-added tax rate is: 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunication, construction, or immovable property leasing services, immovable property, transferring the rights to use land, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; 0% for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; 0% for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《財政部、國家稅務總局關於簡併增值稅稅率有關政策的通知》), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% value-added tax rate shall be canceled. The scope of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Circular of on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, from May 1, 2018, where a taxpayer engages in a value-added tax taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019, with respect to value-added tax taxable sales or imported goods of a value-added tax general taxpayer, the originally applicable value-added tax rate of 16% shall be adjusted to 13%; the originally applicable value-added tax rate of 10% shall be adjusted to 9%.

## OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

### HONG KONG Taxation of the Company

#### *Profits Tax*

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5% unless such profits are chargeable under the half-rate of 8.25% that may apply for the first HK\$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

**Hong Kong Taxation of Shareholders*****Tax on Dividends***

No tax is payable in Hong Kong in respect of dividends paid by the Company.

***Profits Tax***

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the H Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong income tax rates of 16.5% on corporations and 15.0% on individuals, unless such gains are chargeable under the respective half-rates of 8.25% and 7.5% that may apply for the first HK\$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Gains from sales of H Shares effected on the Stock Exchange will be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

***Stamp Duty***

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

***Estate Duty***

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

**FOREIGN EXCHANGE CONTROL IN THE PRC**

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, under the authority of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The principal regulations governing foreign currency exchange in the PRC is the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterparts is obtained.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries business of foreign exchange settlement and sale by presenting valid documentation. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' general meetings on the distribution of profits, effect payment from foreign exchange accounts or with the purchased foreign exchange at designated foreign exchange banks.

On December 26, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within fifteen working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials. Funds raised by a domestic company through overseas listing may be transferred back or deposited overseas, and the use of such funds shall be consistent with those contents mentioned in publicly disclosed documents such as the prospectus.

On February 13, 2015, the SAFE issued the Notice of on Further Simplifying and Improving Policies for the Foreign Exchange Administration of 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》), which came into effect on June 1, 2015. The notice has canceled the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on June 9, 2016, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments.

*This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the Company's operations and business.*

## PRC LAWS AND REGULATIONS

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see section headed "Regulatory Overview" in this document.

## PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts may be used as judicial reference and guidance. However, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "Legislation Law"), National People's Congress (the "NPC") and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congress of the National Autonomous Region has the power to formulate autonomous regulations and separate regulations in accordance with the political, economic and cultural characteristics of the local ethnic groups, and make flexible provisions on the provisions of laws and administrative regulations, but shall not violate the basic principles of laws or administrative regulations, and shall not make flexible provisions on the provisions of the Constitution and the law of regional ethnic autonomy, as well as other relevant laws and administrative regulations on ethnic autonomy.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may,

in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people's governments of the provinces, autonomous regions, and municipalities directly under the central government, cities divided into districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is invested in the SCNPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》), if the scope prescribed by laws or decrees needs to be further defined or supplementary provisions need to be made, the SCNPC shall interpret them or make provisions by means of decrees. Issues involving the specific application of laws and decrees in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws and decrees in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Issues that do not involve the specific application of laws and decrees in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. If the scope of local laws and regulations needs to be further defined or supplemented, the standing committee of the people's



congress of each province, autonomous region and municipality directly under the central government that promulgates such laws and regulations shall interpret or make provisions. Issues involving the specific application of local laws and regulations shall be interpreted by the competent departments of the people's governments of the provinces, autonomous regions and municipalities directly under the central government.

### PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the People's Republic of China (《中華人民共和國人民法院組織法》), the people's court is composed of the Supreme People's Court, the local people's courts at all levels and the special people's courts.

Local people's courts at all levels are composed of primary people's courts, intermediate people's courts and higher people's courts. The primary people's courts may set up civil, criminal and economic tribunals. The intermediate people's court has similar structure with the primary people's court, and can set up other tribunals, such as intellectual property tribunal when necessary. Special people's courts include military courts, maritime courts, intellectual property courts, financial courts and other special courts.

The higher level of people's court supervises the trial work of the people's court at a lower level. The people's procuratorate also has the right to exercise legal supervision over the proceedings of the people's court at the same level or at a lower level. The Supreme People's Court is the highest judicial organ in China and supervises the trial work of local people's courts at all levels and special people's courts.

In accordance with the Criminal Procedure Law of the PRC (《中華人民共和國刑事訴訟法》) (the “**Criminal Procedure Law**”) and the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”), the people's courts apply a two-tier appellate system. Before a judgment or ruling of first instance has legal effect, the parties may appeal to the people's court at the next higher level. A judgment or ruling of second instance made by a higher court shall be final and binding. The first instance judgment or ruling of the Supreme People's Court is also final. However, if the Supreme People's Court or the people's court at a higher level finds an error in the effective judgment, ruling or conciliation statement made by the people's court at a lower level, it shall have the right to bring the case up for trial or order the people's court at a lower level to hold the case. If the president of a people's court at any level finds that there is an error in the effective judgment, written order or conciliation statement made by his court and considers that a retrial is necessary, he shall submit it to the judicial committee for discussion and decision.

The Civil Procedure Law contains provisions on the jurisdiction of the people's court, the procedures to be followed in conducting civil proceedings and the procedures for the enforcement of civil judgments or rulings. All parties to a civil action in China shall abide by the civil procedure law. Generally speaking, civil cases are heard by the local court where the defendant lives. The parties to the contract may also choose the court of jurisdiction to file a civil action by express agreement, but the court of jurisdiction shall be the place where the dispute is actually related, such as the place where the plaintiff or the defendant lives, the place where the contract is signed or performed, or the place where the subject matter of the action is located, etc. However, in any case, the above selection shall not violate the provisions of the Civil Procedure Law on level jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country.

If any party to a civil action refuses to comply with the effective judgement, ruling, conciliation statement and other legal documents to be executed by the people's court or an award made by the arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

A party seeking to enforce a judgement or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

#### **THE PRC COMPANY LAW, THE SPECIAL REGULATIONS OF THE STATE COUNCIL ON THE OVERSEAS OFFERING AND LISTING OF SHARES BY JOINT STOCK LIMITED COMPANIES, AND THE MANDATORY PROVISIONS FOR ARTICLES OF ASSOCIATION OF COMPANIES TO BE LISTED OVERSEAS**

The Company Law (《公司法》) was passed by the SCNPC on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The revised Company Law came into effect on October 26, 2018.

Special Regulations of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the “**Special Regulations**”) were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and were promulgated and implemented on August 4, 1994. The Special Regulations were formulated according to the then applicable Article 85 and Article 155 of the Company Law and should be applicable to the overseas share issue and listing of joint stock limited companies. According to the Official Reply of the State Council on the Proposed Adjustment to the Provisions Concerning Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) (the “**Circular 97**”) issued on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China should be governed by the relevant provisions of the Company Law, and the provisions laid down in Article 20 through Article 22 of the Special Regulations will no longer apply to the aforesaid matters.



The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the “**Mandatory Provisions**”) were promulgated and implemented by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association. Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations, the Mandatory Provisions and the Circular 97 applicable to the Company.

### ***General Provisions***

A joint stock limited company is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

### ***Incorporation***

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. A company incorporated by promotion is the one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific parties.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for market regulation. Shares in the company shall not be offered to others unless the registered capital has been fully paid up.

For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for market regulation. For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed in accordance with laws if such assets are to be contributed as capital.

The latest revision of the Company Law no longer imposes restrictions on minimum amount or requirements for payment deadlines of paid-up registered capital. However, if there are laws, administrative regulations and other requirements imposed by the State Council provide for payment deadlines of paid-up registered capital or the minimum registered capital of a limited liability company or a joint stock limited company, such laws, administrative regulations and requirements shall prevail.

The promoters shall convene an extraordinary meeting within 30 days after the issued shares have been completely paid up. The extraordinary meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the extraordinary meeting include passing the draft articles of association proposed by the promoters and electing the members of board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the extraordinary meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for market regulation and a business license has been issued.

The promoters of a company shall individually and jointly be liable for the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated, the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated, and damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

### ***Share Capital***

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and subscribed in foreign currency are defined as foreign shares. Foreign shares listed overseas are defined as overseas listed and foreign invested shares. Shares issued to investors within the PRC other than the aforementioned areas and subscribed in RMB are defined as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. The share price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council.

*Increase of Share Capital*

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the “**Securities Law**”) requires the following conditions for a company to issue new shares to the public initially: (i) have a sound, well-operated corporate governance structure; (ii) possess the capacity for on-going operation; (iii) be issued an audit report with unqualified opinions for the financial and accounting report for the latest three years; (iv) the issuer and its controlling shareholder and actual controller have not committed any crimes of corruption, bribery, embezzlement of property, misappropriation of property or disruption of the socialist market economic order in the latest three years; and (v) meet other requirements specified by the securities regulatory authority.

*Reduction of Share Capital*

A company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and a list of properties;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction of capital within ten days, and publish an announcement in respect of the reduction in newspapers within thirty days upon passing of the resolution approving the reduction of capital;
- creditors of the company may require the company to settle its debts or provide corresponding guarantees within the statutory time limit; and
- the company must apply to the relevant administrative bureau for market regulation for registration of the reduction of registered capital.

*Repurchase of Shares*

A company shall not purchase its own shares other than for the following purposes:

- reducing its registered capital;
- merging with other company which holds its shares;
- using shares for employees stock ownership plan or equity incentives;
- acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;
- using shares for converting convertible corporate bonds issued by the listed company; and
- for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own

shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with these requirements, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure and under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through off-market contract.

### ***Transfer of Shares***

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock exchanges established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivering the shares to relevant transferees. Unless otherwise stipulated by laws, no modifications of registration in the share register caused by transfer of shares shall be made within twenty days prior to convening a shareholders' general meeting or five days prior to any record date for determination of dividend distributions. Shares of a company held by its promoter(s) shall not be transferred within one year from the date of incorporation of such company. Shares in issue prior to the company's public offering of shares shall not be transferred within one year from the listing date of its shares on the stock exchange.

Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by them in the company each year during their term of office, and shall not transfer the shares held by them in the company within one year from the listing date of the shares. Such persons shall also not transfer the shares held by them in the company within half a year after they leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

### ***Shareholders***

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the Company Law and the Mandatory Provisions, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;

- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;
- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders, the right to institute an action in a people's court demanding the cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held; and
- any other rights of shareholders specified in the company's articles of association.

The obligations of a shareholder include: to abide by the company's articles of association; to pay the subscription monies in respect of the shares subscribed for; to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares subscribed for; not to abuse the shareholders' rights to prejudice the interests of the company or other shareholders thereof; not to abuse the independent status of the company as a legal person and a joint stock limited company to prejudice the interests of the creditor(s) of the company; and other obligations specified in the company's articles of association.

### *Shareholders' General Meetings*

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or supervisors;
- to review and approve annual financial budget and final accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

Annual general meetings shall be held once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated by the Company Law or less than two thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by the shareholder alone or in aggregate holding 10% or more of the shares of the company; when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the Company Law. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a general meeting. Shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth interim proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval if such proposals are within the scope of its duties and powers. The contents of the interim proposal shall be within the scope of the functions and powers of the general meeting of shareholders, with clear topics and specific matters for resolutions. The general meeting shall not make any resolution on any matter not listed in the notice. Where holders of bearer shares intend to attend the general meeting of shareholders, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Pursuant to the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or



decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of Domestic Shares and holders of overseas listed and foreign invested shares are deemed to be different classes of shareholders for this purpose.

### ***Directors***

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms by re-election upon the expiry of term.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the shareholders' meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.



In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company. Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who have been former directors, factory managers or general managers of a company or an enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or
- other circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over general meetings and convene and preside over meetings of the board of directors; and
- to check on the implementation of the resolutions of the board of directors.

According to the Company Law, the legal representative of a company may be the chairman, any executive director (if the limited liability company does not have a board of directors) or the general manager.

The Special Regulations provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI) contain further elaborations of such duties.

### ***Supervisors***

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms by re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior management who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his/her act is detrimental to the interest of the company;
- propose the convening of interim shareholders' general meetings, and to convene and preside over shareholders' general meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' general meetings as prescribed by the Company Law;
- put forward proposals at shareholders' general meetings;
- initiate actions against directors or senior management as prescribed by the Company Law; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director described above apply mutatis mutandis to supervisors of a company.

### ***General Manager and Other Senior Managements***

"Senior management" refers to the general manager, vice manager, person in charge of finance, and the secretary of the board of directors of a listed company as well as any other person as stipulated in the articles of association. A company shall have a manager who shall be appointed or removed by

the board of directors. The general manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's specific rules;
- recommend the appointment and dismissal of deputy general managers and person in charge of finance;
- decide to appoint or dismiss other management personnel (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to general manager and other senior management of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, general manager and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration or initiate legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association.

#### ***Duties of Directors, Supervisors and Senior Managers***

Directors, supervisors, general manager and other senior management of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, general manager and senior officer of a company is also under a duty of fidelity to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any director, supervisor, general manager and other senior management who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, general manager and other senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully, protect the interests of the company and not to make use of their positions and power in the company for their own benefit.

#### ***Finance and Accounting***

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF.

At the end of each financial year, a company shall prepare a financial report, which shall be audited and verified according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least 20 days before the convening of the annual shareholders' general meeting. A company with public issuance of shares must publish its financial statements to the public.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the company's statutory common reserve is not enough to make up for the losses of the company for the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is set aside according to the method mentioned hereof.

After the losses have been made up and surplus reserves have been set aside, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association. The capital common reserve of a joint stock limited company is made up of the premium from the issuance of shares generated by the gap between the issuance price and the nominal value of the shares of the company, and other amounts required by the MOF to be allocated to the capital common reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital common reserve shall not be used for making up the company's losses. Where the statutory common reserve is converted into registered capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital before such conversion.

#### ***Appointment and Dismissal of Accounting Auditors***

According to the Special Regulations, a company shall engage an independent PRC qualified accounting firm to audit the company's annual report and review other financial reports. Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with the articles of association. The accounting firm is to be appointed for a term commencing from the conclusion of an annual general meeting and ending at the conclusion of the next annual general meeting. The accounting firm should be allowed to make representations when the shareholders' general meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

#### ***Distribution of Profits***

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of dividends to shareholders shall be made through a receiving agent.

According to the Guide to the Program for “Full Circulation” of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share “full circulation” shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

#### *Amendments to the Articles of Association*

Any amendments to the company’s articles of association must be made in accordance with the procedures set forth in the company’s articles of association. In relation to matters involving the company’s registration, its changes in registration shall be applied with the company registry.

#### *Dissolution and Liquidation*

Under the Company Law, a company shall be dissolved in any of the following events:

- the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- the shareholders’ general meeting have resolved to dissolve the company;
- the company is dissolved by reason of its merger or demerger;
- the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or
- in the event that the company encounters substantial difficulties in its operation and management, and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders’ voting rights of the company may present a petition to the people’s court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days after the occurrence of origin incident of dissolution. Members of the liquidation committee shall be appointed by directors or shareholders’ general meeting. If a liquidation committee is not established within the stipulated period, the company’s creditors can apply to the people’s court for its establishment. The liquidation committee shall notify the company’s creditors within ten days after its establishment. Liquidation committee shall be notified to the creditors within 10 days of its formulation and shall be publicized in the newspapers within 60 days of its formulation as well. A creditor shall lodge its claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if it has not received such notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to take stock of the company’s assets and to prepare a balance sheet and a property list;
- to notify creditors or issue public notices to such creditors;
- to deal with any outstanding business of the company related to the liquidation;
- to pay any tax overdue and those arising from the liquidation process;

- to settle the company's financial claims and liabilities;
- to handle the residual property of the company after paying off its debts; and
- to represent the company in civil lawsuits.

Company's assets shall be applied towards the payment of the liquidation expenses, wages owed to the employees, social insurance expenses and legal reimbursement, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them. During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and perform their obligation according to laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

### ***Loss of Share Certificates***

The Mandatory Provisions provide for a separate procedure regarding the loss of H share certificates.

### ***"Full Circulation" of H Shares***

Shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "Full Circulation", an H-share listed company shall file the application with the CSRC according to the procedures for the "examination and approval of public offering and listing (including additional issuance) of shares overseas by a joint stock company".

An H-share listed company may apply for "Full Circulation" separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

### ***Merger and Demerger***

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved.

If it merges by forming a new corporation, both companies will be dissolved. Where there is a demerger of a company, its assets shall be divided up accordingly and a balance sheet and a property



list shall be prepared. The company shall notify its creditors within ten days of the date of the company's demerger resolution and shall publish an announcement in a newspaper within thirty days of the date of the company's demerger resolution. Debts of the company prior to demerger shall be assumed by the companies which exist after the division on a joint and several basis, except to the extent that prior to demerger, the company has otherwise reached a written agreement with its creditors in respect of the settlement of debts.

## SECURITIES LAW AND OTHER RELEVANT REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC.

The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In 1998, the State Council consolidated the two departments and the CSRC has since taken over the original functions of the Securities Commission.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law came into force on July 1, 1999, and was recently revised on December 28, 2019. This law is the first national securities law in China, which is divided into 14 chapters and 226 articles, regulating (including) the issuance and trading of securities, the acquisition of listed companies, stock exchanges, securities companies and the duties and responsibilities of the securities regulatory authority under the State Council. The Securities Law comprehensively regulates the activities of China's securities market. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council in issuing securities or listing its securities abroad directly or indirectly. Article 225 of the Securities Law stipulates that the specific measures for subscription and trading of shares of domestic companies in foreign currencies shall be separately formulated by the State Council. At present, the shares (including H shares) issued and traded abroad are still subject to the rules and regulations promulgated by the State Council and the CSRC.

### *Overseas Listing*

According to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC. A domestic company shall file a written report to CSRC for the



overseas listing within 15 business days after the completion of the overseas listing. The approval from the CSRC for overseas share issuance and listing is valid for 12 months.

#### **ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS**

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was recently amended on September 1, 2017. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations, and the parties have entered into a written agreement to refer the matter to arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of the company and, in the case of the Listing Rules, shall also be in contracts between the company and each of its directors and supervisors, to the effect that any disputes or claims arising among the following parties will be referred to arbitration including between holders of H shares and the company, between holders of H Shares and the directors, supervisors, manager or other senior management of the company, and between holders of H shares and holders of Domestic Shares, with respect to any disputes or claims in relation to the companies affairs or as a result of rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic or Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with the Securities Arbitration Rules. Once a claimant refers to a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and Civil Procedure Law, an arbitral award is final and binding on the parties.

#### **MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG**

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of

equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

### **Corporate Existence**

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

### **Share Capital**

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

### **Restrictions on Shareholding and Transfer of Shares**

Generally, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau SAR and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company.

Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months.

### **Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

### **Notice of Shareholders' Meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.

### **Quorum for Shareholders' Meetings**

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

**Voting at Shareholders' Meetings**

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

**Variation of Class Rights**

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution in shareholders' general meeting, the Company issue domestic shares and overseas listed foreign shares separately or at the same time at an interval of 12 months, and the proposed number of domestic shares and overseas listed foreign shares to be issued respectively will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue domestic shares and overseas listed foreign shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council; and (3) after the Company has issued H shares in an overseas region, and after approval has been granted by the State Council or the securities regulatory authority of the State Council, and with the consent of the HKEX, the shareholders of the Company offer the unlisted shares held by them for listing and dealing in overseas regions.

**Derivative Action by Minority Shareholders**

Under Hong Kong company law, minority shareholders may start a derivative action against directors for their misfeasance committed against the company, if such directors control a majority of

votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

### **Minority Shareholder Protection**

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

### **Directors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors'

authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

### **Board of Supervisors**

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Fiduciary Duties**

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

### **Financial Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.



**Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

**Receiving Agent**

Under the PRC Company Law and Hong Kong laws, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years.

The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Pursuant to the PRC Company Law, which was amended by the Standing Committee of the NPC and came into effect on October 26, 2018, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

**Special Withdrawal**

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

**Arbitration of Disputes**

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC



Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau SAR and Taiwan.

### **Remedies of A Company**

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

### **Dividends**

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

### **Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year. Unless otherwise stipulated by laws, share transfers shall not be registered within 20 days prior to convening a shareholders' general meeting or 5 days before the base date of distribution of dividends.

*This appendix contains a summary of the main provisions of the Articles of Association of the Company adopted on June 9, 2021, which will take effect from the date of the Listing of H shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential investors.*

## SHARES AND REGISTERED CAPITAL

The Company shall issue ordinary shares at all times. With the approval from authorities authorized by the State Council, the Company may issue other classes of shares when needed.

All the shares issued by the Company shall have a nominal value, denominated in RMB which shall be RMB1 for each share. The RMB referred to in the preceding paragraph is the legal currency of the PRC.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall enjoy equal rights.

All shares of the same class issued at the same time shall be issued under the same conditions and at the same price; the same price shall be paid for each share subscribed by any entities or individuals.

The domestic shares issued by the Company and the foreign shares listed overseas shall have the same right with respect of any part dividend or any other form.

## INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

### (1) Increase of Capital

The Company may, based on its business and development needs and in accordance with the laws, regulations, and requirements of the relevant listing rules of the places where the shares of the Company are listed, increase its capital upon resolutions being adopted by the shareholders' general meetings.

The Company may increase its capital in the following manners:

- (1) by offering new shares for subscription by unspecified investors;
- (2) by placing new shares to its existing shareholders;
- (3) by allotting bonus shares to its existing shareholders;
- (4) by issuing new shares to particular investors;
- (5) by capitalizing its capital common reserve;
- (6) by other means permitted by the laws, administrative regulations or authorized by relevant regulatory authorities.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated in the relevant laws, administrative regulations of the PRC.

**(2) Reduction of Capital**

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations and the Articles of Association.

In the event of reduction of registered capital, the Company shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days from the date of adopting the resolution to reduce its registered capital and shall publish an announcement in a newspaper within thirty days. A creditor shall have the right within thirty days from the receipt of a written notice or, for those who have not received a written notice, within forty-five days from the date of the public announcement, to require the Company to repay its debts or to provide corresponding guarantees for such debts.

**(3) Repurchase of Shares**

The Company may, through passing the procedures required by the Articles of Association and obtaining subject to the approval by reporting to the relevant competent authorities of the PRC, repurchase its issued shares through legal procedures under the following circumstances:

- (1) to reduce the registered capital of the Company by canceling shares;
- (2) to merge with other companies which hold shares in the Company;
- (3) to utilize its shares in employee stock ownership plans or share incentive;
- (4) where the shareholders, who disagree with the resolution in relation to merger or division of the Company made at the general meeting, require the Company to repurchase the shares held by such shareholders;
- (5) to utilize its shares to satisfy the conversion of convertible bonds issued by the Company;
- (6) to safeguard the value of the Company and the interests of the shareholders when necessary;
- (7) other circumstances permitted by the laws, administrative regulations, the listing rules of the places where the shares of the Company are listed and regulatory authorities.

Any acquisition by the Company of its shares under the circumstances as required in the Article 1(1) and (2) shall be resolved at a shareholders' general meeting; while any acquisition by the Company of its shares under the circumstances as required in Article 1(3), (5) and (6) shall be approved by the Board meeting attended by at least two third of the directors.

After the Company has acquired its shares in accordance with Article 1(1), such shares shall be canceled within 10 days from the date of acquisition. After the Company has acquired its shares in accordance with Article 1(2) and (4), such shares shall be transferred or cancelled within 6 months. After the Company has acquired its shares in accordance with Article 1(3), (5) and (6), the total shares of the Company held by the Company itself shall not exceed 10% of its total issued shares and such shares shall be transferred or cancelled within 3 years.

Any repurchase by the Company of its shares under the circumstances as required in Article 1(3), (5) and (6) shall be conducted through open centralized trading.

The Company shall not accept its own shares as the collateral of any pledge or charge.

Where the laws, administrative regulations, normative documents and relevant requirements of the Securities Regulatory Authorities in the place where the Company's shares are listed contain any other provisions in respect of the aforementioned share buy-back, such provisions shall prevail.

With the approval from relevant state authorities to repurchase its own shares, the Company may proceed in any one of the following manners:

- (1) make an offer to all shareholders to repurchase the Company's shares in equal proportions;
- (2) repurchase through open transactions on a stock exchange;
- (3) repurchase by agreement outside of a stock exchange;
- (4) other means as permitted by the law, regulations, normative documents and relevant regulatory authorities.

In the event of a repurchase of shares by the Company by an agreement outside of a stock exchange, prior approval shall be obtained from the shareholders at a general meeting in accordance with the procedures stipulated in the Company's Articles of Association. Upon obtaining further prior approval of the shareholders at the general meeting in the same manner, the Company may terminate or amend contracts concluded in the manner set forth above or waive any of its rights under such contracts.

The contracts for the repurchase of shares referred to in the above paragraph include (but not limited to) agreements whereby repurchase obligations are undertaken and repurchase rights are acquired.

The Company shall not assign contracts for the repurchase of its own shares or any of its rights thereunder.

With regard to the redeemable shares that the Company has the right to redeem, if they are not bought back on the market or by way of tender, the purchase prices of these shares shall not exceed certain maximum price; if they are bought back by way of tender, the tenders shall be available and proposed to all shareholders in the same manner.

After the shares are bought back by the Company pursuant to the laws, the Company shall cancel such shares bought back within the period prescribed by laws, administrative regulations and the listing rules of the stock exchange on which Company's shares are listed, and shall apply to the original company registration authority for registration of the change in the registered capital.

The amount of the Company's registered capital shall be reduced by the aggregate nominal value of those canceled shares.

Unless the Company is in the process of liquidation, the repurchase of issued shares by the Company shall be subject to the following provisions:

- (I) If the shares are repurchased at their nominal value, payment shall be deducted from the balance of the distributable profits in the books of the Company and from the proceeds of fresh issue of new shares for the purpose of repurchase of issued shares;

- (II) If the shares are repurchased at a premium, payment up to the nominal value shall be deducted from the balance of the distributable profits in the books of the Company and from the proceeds of fresh issue of new shares for the purpose of such repurchase. Payment of the portion in excess of the nominal value shall be effected in the following manner:
- (1) if the repurchased shares were issued at nominal value, payment shall be deducted from the balance of distributable profits in the books of the Company;
  - (2) if the repurchased shares were issued at a premium, payment shall be deducted from the balance of distributable profits in the books of the Company and from the proceeds of fresh issue of new shares for the purpose of share repurchase provided that, the amount paid out of the proceeds of fresh issue of new shares shall not exceed the aggregate of premium received on the issue of the shares repurchased, nor the amount of capital surplus reserve fund account of the Company at the time of such repurchase (including the amount of the premium received on the fresh issue of new shares);
- (III) The payment for the following shall be made out of the distributable profits of the Company:
- (1) acquisition of the rights to repurchase its shares;
  - (2) modification of any contract of the repurchase of its shares;
  - (3) release from any of its obligations under the repurchase contract.
- (IV) After the registered capital of the Company has been reduced by the total nominal amount of the shares so canceled pursuant to relevant provisions, the amount which has been deducted from the distributable profits and used for repurchasing the nominal value of the shares shall be credited to the premium account (or capital common reserve account) of the Company.

Where the laws, regulations, departmental rules, normative documents and relevant provisions of the securities regulatory authority at the places where the shares of the Company are listed have any other provisions in respect of the financial arrangement relating to the aforesaid share repurchase, such provisions shall prevail.

#### **FINANCIAL ASSISTANCE FOR THE PURCHASE OF THE SHARES OF THE COMPANY**

The Company or its subsidiaries, including its affiliates, shall not, by any means and at any time, provide any financial assistance to purchasers or potential purchasers of the Company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations due to purchase of the Company's shares.

The Company or its subsidiaries, including its affiliates, shall not, by any means and at any time, provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations.

"Financial assistance" shall include but not limited to the assistance in the following means:

- (1) gift;
- (2) guarantee (including the undertaking of liability or provisions of property by the guarantor in order to guarantee the performance of the obligation by the obligor), indemnity (excluding, however, indemnity arising from the Company's own fault), and termination or waiver of rights;

- (3) provision of a loan or signing of a contract under which the obligations of the Company are to be fulfilled prior to the fulfillment of the obligations of the other party to the contract, and a change in the party to such loan or contract as well as the assignment of rights under such loan or contract;
- (4) financial assistance in any other form provided by the Company when the Company is insolvent or has no net assets or when such assistance would lead to a significant reduction in the Company's net assets.

The "undertaking of obligations" shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement (irrespective of whether or not such contract or arrangement is enforceable and irrespective of whether or not such obligation is assumed by the obligor individually or jointly with any other person), or by changing the obligor's financial position in any other way.

The acts listed below shall not be regarded as the prohibited acts:

- (1) the Company provides the relevant financial assistance in the interests of the Company in good faith, and the primary purpose of such financial assistance is not to purchase the Company's shares, or such financial assistance is an incidental part of master plan of the Company;
- (2) the Company distributes its assets as dividends in accordance with the law;
- (3) the Company distributes dividends in the form of shares;
- (4) the Company reduces its registered capital, repurchases its shares or adjusts the equity structure in accordance with the Articles of Association;
- (5) the Company provides a loan for its normal business operations within its business scope (provided that such financial assistance shall not result in a reduction in the net assets of the Company, or in the event of such reduction, such financial assistance is provided out of the distributable profit of the Company);
- (6) the Company provides the funding for employee stock ownership plans (provided that such financial assistance shall not result in a reduction in the net assets of the Company, or in the event of such reduction, such financial assistance is provided out of the distributable profit of the Company).

### **TRANSFER OF SHARES**

The shares of the Company held by the promoters shall not be transferred within one year after the incorporation of the Company. The shares issued before the Company's public offering of shares shall not be transferred within one year from the date when the Company's shares are listed and traded on the stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25 percent of the total number of their shares in the Company per annum during their terms of office. The shares of the Company held shall not be transferred within one year from the date when the Company's shares are listed and traded. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

**SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS****(1) Shares Certificates**

The share certificates of the Company shall be in registered form.

In addition to the particulars provided for in the laws and regulations, such as the Company Law, the share certificates of the Company shall clearly state such other particulars as required by the stock exchange(s) on which the Company's shares are listed.

The share certificates shall be signed by the Chairman of the Board. Where the signatures of the senior management of the Company are required by the stock exchange(s) where the Company's shares are listed, the share certificates shall also be signed by such senior management. The share certificates shall become valid after the Company seal is affixed thereto or imprinted thereon. The affixing of the Company seal to the share certificates shall be authorized by the Board. The signature of the chairman of the Board or such senior management of the Company on the share certificates may also be in printed form.

In case of paperless issuance and trading of the shares of the Company, provisions otherwise provided by the securities regulatory authorities where the Company's shares are listed shall apply.

**(2) Register of Shareholders**

The Company shall establish a register of shareholders, which shall register therein the following particulars:

- (1) the name, address (domicile), and occupation or nature of each shareholder;
- (2) the class and number of shares held by each shareholder;
- (3) the amount paid or payable for the shares held by each shareholder;
- (4) the serial number of the share certificate held by each shareholder;
- (5) the date on which each shareholder is registered as a shareholder;
- (6) the date on which each shareholder ceases to be a shareholder.

The shareholders' register is a sufficient evidence of the shareholders' shareholdings in the Company unless there is evidence to the contrary.

The Company may keep overseas the register of shareholders of overseas-listed foreign shares and entrust the administration thereof to an overseas agent in accordance with the understandings and agreements reached between the securities regulatory authority under the State Council and the overseas securities regulatory authorities. The original register of shareholders of overseas-listed foreign shares listed in the Hong Kong shall be kept in Hong Kong and available for inspection by shareholders.

The Company shall keep at its domicile a copy of the register of shareholders of overseas-listed foreign shares. The entrusted overseas agent shall always ensure that the original and copies of the register of shareholders of overseas listed foreign shares are consistent.

Where the original and copies of the register of shareholders of overseas-listed foreign shares are inconsistent, the original shall prevail.



The Company shall maintain a complete register of shareholders.

The register of shareholders shall include the following parts:

- (1) a register kept at the Company's domicile other than those specified in items (2) and (3) of this Article;
- (2) the register(s) of shareholders of overseas-listed foreign shares kept in the place(s) of the overseas stock exchange(s) where the shares are listed;
- (3) registers of shareholders kept in other places as the Board may decide and consider necessary for listing purposes.

The various parts of the register of shareholders shall not overlap with each another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the law of the places where that part of the register of shareholders is kept.

If the laws, administrative regulations, departmental rules, normative documents of the PRC and rules of relevant stock exchanges or regulatory authorities at the places where the shares of the Company are listed require a period of closure of the register of shareholders prior to the date of a shareholders' general meeting or before the record date for the Company's determination of the distribution of dividends, such provisions shall prevail.

The aforesaid period of suspension of change registration of register of shareholders shall not exceed 30 days in total within a year, but can be extended for a maximum of 30 days upon approval by a shareholders' meeting. When the Company receives an application for consultation of register of shareholders during the period of suspension of change registration of register of shareholders, it shall issue to the applicant a proof document signed by the company secretary to state the approval authorities for suspension of change registration of register of shareholders and the period of suspension.

When the Company convenes a general meeting, distributes dividends, commences liquidation or participates in other activities requiring the identification of shareholders, the convener of the Board or general meeting shall decide the record date. The shareholders whose names appear on the register of shareholders at the close of trading on the record date shall be entitled to the relevant rights.

If any person objects to the register of shareholders and requests to have his/her name recorded in or deleted from the register of shareholders, such person may apply to the court with jurisdiction for correcting the register of shareholders.

If any shareholder in the register of shareholders or any person requesting to have his/her name recorded in the register of shareholders loses his/her share certificates (i.e. "the Original Share Certificates"), such shareholder or person may apply to the Company for issuing replacement certificates in respect of the shares (i.e. "the Relevant Shares") held by them.

After the Company reissues new shares in accordance with the provisions of the Articles of Association, the name (title) of a bona fide purchaser gaining possession of such new share certificate or the person who is subsequently entered in the register of shareholders as holder of such shares (if he/she is a bona fide purchaser) shall not be removed from the register of shareholders.

The Company shall not be liable for any damages suffered by any person arising from the cancelation of the Original Share Certificates or the issuance of a new replacement share certificate, unless the claimant can prove that the Company has committed a fraudulent act.

The Company shall have the right to issue share warrants to bearers. No new share warrant shall be issued to replace one that has been lost, unless the Company is reasonably satisfied that the original has been destroyed.

## **RIGHTS AND OBLIGATIONS OF SHAREHOLDERS**

### **(1) Shareholders**

A shareholder of the Company is a person who lawfully holds shares of the Company and has his/her name recorded in the register of shareholders.

A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

### **(2) Rights and Obligations of Shareholders**

The ordinary shareholders of the Company shall enjoy the following rights:

- (I) the right to receive dividends and other distributions in proportion to their shareholdings;
- (II) the right to request, convene, preside, attend or appoint a proxy to attend shareholders' general meetings in accordance with laws and to exercise the corresponding voting rights;
- (III) the right to supervise the Company's business operations, to present proposals and to raise enquires;
- (IV) the right to transfer shares in accordance with laws, administrative regulations, the listing rules of the stock exchange where the shares of the Company are listed as well as the Articles of Association;
- (V) the right to obtain relevant information in accordance with the Articles of Association:
  1. the right to obtain the Articles of Association, subject to payment of a reasonable cost;
  2. the right to inspect and copy, subject to payment of a reasonable charge:
    - (1) the register of all the shareholders;
    - (2) personal particulars of each of the Company's Directors, Supervisors and senior management members, including:
      - a present and former name and alias;
      - b principal address (domicile);
      - c nationality;
      - d primary and all other part-time occupations and duties;
      - e identification documents and the numbers thereof.

- (3) reports on the status of the issued share capital of the Company;
- (4) reports showing the aggregate nominal value, quantity, maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last financial year and the aggregate amount incurred by the Company for this purpose, refined according to domestic shares and foreign shares;
- (5) counterfoils of corporate bonds, resolutions of the Board of Directors, resolutions of the Board of Supervisors and financial accounting reports;
- (6) the annual report of last year that has been filed with the PRC Administration for market regulation or other competent authorities;
- (7) minutes of general meeting of shareholders (for shareholders' reference only), special resolutions of general meeting of shareholders of the company.

The Company shall keep the above documents other than items (2) and (5) at the Company's address in Hong Kong, according to the requirements of the Hong Kong Listing Rules, for the public and H-share shareholders to inspect free of charge.

The Company may refuse to provide the contents consulted and copied that involve the Company's business secrets and inside information as well as the personal privacy of relevant personnel.

- (VI) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the shareholdings;
- (VII) with respect to shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company, the right to demand the Company to buy back their shares;
- (VIII) the shareholders separately or in aggregate holding more than three percent of the shares of the Company shall have the right to submit provisional proposals in writing to the Board of Directors ten days prior to the shareholders' general meeting;
- (IX) other rights under laws, administrative regulations, departmental rules, listing rules of the places where the shares of the Company are listed and the Articles of Association.

The Company shall not exercise any power to freeze or otherwise prejudice any rights attached to the shares held by any person who directly or indirectly has interest in the Company solely for the reason that such person fails to disclose to the Company any such interests.

The ordinary Shareholders of the Company shall have the following obligations:

- (1) to abide by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association;
- (2) to pay capital contribution for the shares subscribed for in the prescribed method of subscription;
- (3) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders; and not to abuse the status of the Company as an independent legal person

and the limited liability of shareholders to jeopardize the interests of any creditors of the Company;

Where shareholders of the Company abuse their shareholders' rights and thereby causing loss to the Company or other shareholders, such shareholders shall be liable for indemnity in accordance with the law;

Where shareholders of the Company abuse the Company's status as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company;

- (4) to fulfill other obligations as stipulated by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

Shareholders shall not be liable for further contribution to share capital other than the conditions agreed to as a subscriber of the shares at the time of subscription.

### **RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS**

Save for the obligations imposed by laws, administrative regulations or required by the listing rules of the places where the shares of the Company are listed, the controlling shareholders shall not, in the exercise of their shareholders' rights, make decisions prejudicial to the interests of all or part of the shareholders in the exercise of their voting rights on the issues set forth below:

- (1) releasing the responsibility of a Director or Supervisor to act in good faith in the best interests of the Company;
- (2) approving the expropriation by a Director or Supervisor (for his/her own or others' benefits), in any means, of the Company's assets, including but not limited to opportunities beneficial to the Company;
- (3) approving the expropriation by a Director or Supervisor (for his/her own or others' benefits) of the personal interests of other shareholders, including but not limited to any rights to distributions and voting rights, but excluding restructuring of the Company submitted to general meeting for approval in accordance with the Articles of Association.

### **SHAREHOLDERS' GENERAL MEETING**

#### **General rules for the Shareholders' General Meeting**

The general meeting shall be the supreme authority of the Company and shall exercise the functions and powers in accordance with laws.

The general meeting shall exercise the following functions and powers:

- (1) to decide the Company's operational policies and investment plans;
- (2) to elect and change the Directors and decide on the remunerations of Directors;
- (3) to elect and change the Supervisors who are not employees' representatives and decide on the remunerations of Supervisors;
- (4) to consider and approve reports of the Board;

- (5) to consider and approve reports of the Supervisory Committee;
- (6) to consider and approve the annual financial budgets and final accounting proposals of the Company;
- (7) to consider and approve the Company's profit distribution plans and loss recovery plans;
- (8) to resolve on the increase or reduction of the registered capital of the Company;
- (9) to resolve on the issuance of bonds or other securities of the Company and listing proposals;
- (10) to resolve on the merger, division, dissolution, liquidation or change in the form of the Company;
- (11) to determine the Company's engagement, removal or discontinuance of engagement of accounting firms;
- (12) to amend the Articles of Association;
- (13) to consider and approve matters relating to the purchases, disposals of material assets (including but not limited to land, building, equipment, production line, equity), or provisions of guarantees, which are more than 30% of the latest audited total assets, within one year;
- (14) to examine the transactions of which the percentage is not lower than 25% (including one-off transactions as well as series of transactions of which the percentage shall be calculated jointly) and all the related transactions of which the percentage is not lower than 5% (including one-off transactions as well as series of transactions of which the percentage shall be calculated jointly) with percentage rates of not less than 25% and 5% respectively in accordance with Rule 14.07 of the Hong Kong Listing Rules;
- (15) to review the equity incentive plan;
- (16) to consider proposals submitted by shareholders holding three per cent or more of the shares with voting rights of the Company;
- (17) to consider and approve the provision of guarantees specified in Article 57 of the Articles of Association;
- (18) to consider other matters required to be resolved by the shareholders' general meeting pursuant to laws, regulations, the rules of securities regulatory authorities in the place where the Company's shares are listed and the Articles of Association.

"Within one year" abovementioned refers to "within one financial year".

Where the Company provides guarantee for the shareholders, actual controllers of the company and their connected persons, the resolution shall be made by the shareholders' meeting. When the general meeting of shareholders is deliberating the proposal to provide guarantee for the shareholder, the actual controller and their connected persons, the shareholder or the shareholder controlled by the actual controller shall not participate in the voting of the matters specified in the preceding paragraph. The vote shall be adopted by more than half of the voting rights held by other shareholders present at the meeting.

Apart from special circumstances such as where the Company is in crisis, the Company shall not enter into contracts with a party (other than a Director, Supervisor and senior management

members) in relation to handover of the administration of all business or the important business of the Company to that party without the approval of the shareholders' general meeting by special resolution.

General meetings consist of annual general meetings and extraordinary general meetings. The general meetings shall be convened by the Board of Directors. The annual general meeting shall be held once every year within six months after the end of the previous financial year.

The Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

- (1) when the number of Directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;
- (2) the unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;
- (3) when shareholder(s) severally or jointly holding ten per cent or more of the Company's shares request(s) to convene such meeting in writing;
- (4) when deemed necessary by the Board;
- (5) when proposed by the Supervisory Committee;
- (6) when proposed by two or more of independent non-executive Directors;
- (7) other circumstances stipulated by laws, administrative regulations, departmental rules, the listing rules of the places where the shares of the Company are listed or the Articles of Association.

#### **Notices of the Shareholders' General Meeting**

The convener will notify all shareholders of the time, place and deliberation matters of the annual general meeting twenty-one days before the meeting is held, and the interim general meeting will notify all shareholders fifteen days before the meeting is held.

A general meeting shall not make decision on matters not specified in the notice or the supplemental notice.

Notice of a general meeting shall satisfy the following requirements:

- (1) be in writing;
- (2) specific venue, date and time of the meeting;
- (3) matters to be considered at the meeting;
- (4) any information and explanations necessary to be made available to the Shareholders for such Shareholders to make sound decisions about the matters to be discussed. This principle includes (but not limited to) the provision of the specific terms and contract(s), if any, of the proposed transaction(s) and serious explanations about the reasons and effects when the Company proposes mergers, repurchase of shares, equity restructuring or other restructuring;
- (5) in the event that any of the Directors, Supervisors and other senior management has material interests in matters to be discussed, the nature and extent of the interests shall be

disclosed. If the matters to be discussed affect any Director, Supervisor and other senior management as a Shareholder in a manner different from the manner they affect other Shareholders of the same class, the difference shall be explained;

- (6) the full text of any special resolution to be proposed for approval at the meeting;
- (7) a prominent statement that all Shareholders are eligible for attending the general meeting and are entitled to appoint one or more proxies to attend and vote at such meeting on his/her behalf, and that such proxy does not need to be a Shareholders of the Company;
- (8) name and telephone number of the contact person;
- (9) the time and venue for lodging a proxy form for the meeting;

Except as otherwise stipulated in the Articles of Association, the notice of the general meeting shall be served on the Shareholders (whether or not such Shareholder is entitled to vote at the general meeting) by hand or postage prepaid mail. The address of the recipient shall be the registered address as shown in the register of shareholders. For holders of Domestic Shares, the notice of the general meeting may also be given by way of announcement.

The announcement referred above shall be published in one or more newspapers designated by the Securities Regulatory Authorities of the State Council fifteen days prior to the convening of extraordinary Shareholders' general meetings, twenty-one days prior to the convening of Shareholders' annual general meetings. Once such an announcement is made, all holders of the Domestic Shares shall be deemed to have received the relevant notice of the general meeting.

### **The Convening of the General Meeting**

Any shareholder who has the right to attend and vote at the general meeting (including Hong Kong Securities Clearing Company Ltd. (HKSCC)) has the right to appoint one or more person(s) (the person may not be a shareholder) as his/her proxy to attend and vote on his/her behalf. If the shareholder is a corporation, it may appoint a proxy to attend and vote at the general meeting, while the presence of such proxy shall be deemed presence in person by such shareholder. Such shareholder may execute a form of proxy under the hand of a duly authorized officer.

The shareholder's proxy may exercise the same rights as other shareholders, including but not limited to the following rights in accordance with the shareholder's authorization:

- (1) the shareholders' right to speak at the general meeting;
- (2) the right to demand a poll by himself/herself or jointly with others;
- (3) the right to exercise voting rights by a show of hands or by a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights by a poll.

If the Company convenes a creditors' meeting, Hong Kong Securities Clearing Company Ltd (HKSCC) shall have the right to appoint a proxy or representative in writing to attend such creditors' meeting and have the same rights, including the right to speak and the right to vote, as other shareholders.

The appointment of a proxy shall be in writing and signed by the appointing shareholder or his/her attorney duly authorized in writing; where the appointing shareholder is a legal person, such appointment shall be affixed with its seal or signed by its Director or attorney duly authorized.



The instrument of proxy shall be deposited at the domicile of the Company or such other place as the notice of the general meeting may specify not less than twenty-four hours prior to convening of the general meeting at which the relevant matters will be voted on, or twenty-four hours before the designated voting time. Where the instrument of proxy is signed by a person authorized by the appointing shareholder, the power of attorney or other documents authorizing such person to sign the instrument of proxy shall be notarized. The notarized power of attorney or other authorization documents, together with the instrument of proxy, shall be lodged at the address of the Company or at other places specified in the notice of meeting.

Where the appointing shareholder is a legal person, its legal representative or the person authorized by the resolution of its board of directors or other governing bodies may attend the shareholders' general meetings of the Company as a representative of such appointing shareholder.

Any blank instrument of proxy or proxy form issued to a shareholder by the board of directors for the shareholder to appoint a proxy shall allow the shareholder to freely instruct the proxy to cast vote for or against and enable the shareholder to give separate instructions on each matter to be voted at the meeting.

Such instrument of proxy shall contain a statement that in the absence of instructions from the shareholders, his proxy may vote at his discretion.

Where the appointing shareholder has deceased, lost capacity, revoked the appointment or the signed instrument of authorization prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of such event prior to the commencement of the relevant meeting.

### **Resolutions at the General Meeting**

Resolutions of the general meeting include ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting.

Special resolution at a general meeting shall be adopted by two thirds or more of the voting rights held by shareholders (including their proxies) attending the general meeting.

Shareholders (including proxies) who vote at a general meeting shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. However, shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When any shareholders' general meeting considers matters related to related-party transactions, if the applicable laws and regulations or the listing rules of the stock exchange where the Company's shares are listed require, the related shareholder shall not vote and the number of voting shares that he represents shall not be counted as part of the total number of valid votes.

Voting on all resolutions by Shareholders at the general meeting will be decided by way of a poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

If the chairman of the meeting decides to vote on a show of hands, the general meeting shall vote on a show of hands unless a vote is demanded by the following persons before or after the show of hands:

- (1) chairman of the meeting;
- (2) at least two voting shareholders or proxies of voting shareholders;
- (3) one or more shareholders (including shareholders' proxies) holding more than 10% (including 10%) of the voting shares at the meeting shall be calculated separately or jointly.

If the chairman of the meeting decides to vote on a show of hands, unless a poll is proposed, the chairman of the meeting shall, on the basis of the result of the show of hands, announce the adoption of the proposal and record it in the minutes of the meeting as the final basis, without proving the number or proportion of votes for or against the resolution passed at the meeting.

The demand for a poll can be withdrawn by the proposer.

If the matter required to be voted by way of a poll relates to election of chairman or adjournment of meeting, a poll shall be conducted immediately; in respect of other matters required to be voted by way of a poll, the chairman may decide the time of a poll, and the meeting may proceed to consider other matters. The voting results shall still be deemed as resolutions passed at the said meeting.

When voting by a poll, Shareholders (including their proxies) entitled to two or more votes need not cast all their votes for or against in the same way.

When the number of votes against and in favor are equal, the chairman of the meeting shall be entitled to an additional vote.

Where relevant laws and regulations and the Listing Rules requires any shareholder 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 shareholder in contravention of such requirement or restriction shall not be counted.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

- (1) work reports of the Board and the Supervisory Committee;
- (2) profit distribution plan and loss recovery plan formulated by the Board;
- (3) elect and replace of Directors and supervisors who are not employee-supervisors, and remuneration and payment methods thereof;
- (4) except as otherwise required by law, administrative regulations or regulatory provisions, remove any Director (including the managing director) of the Company whose term of office has not expired; but such removal shall not affect any contractual claim by such Director;
- (5) annual financial budgets and final accounting proposals, balance sheet, income statement and other financial statements of the Company;
- (6) annual report of the Company;
- (7) to determine the Company's engagement, removal or discontinuance of engagement and remuneration of accounting firms;

- (8) matters on external guarantees as specified in Article 57 of Articles of Association (except Item (2) of Article 1);
- (9) matters other than those requiring approval by special resolutions in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association;

The following matters shall be resolved by way of special resolutions at a general meeting:

- (1) increase or reduction of the registered capital of the Company and issue of shares of any class, warrants or other similar securities of the Company; the repurchase of the Company's shares by the Company which is required to be considered by the shareholders' general meeting in accordance with the provisions of the Articles of Association;
- (2) issuance of corporate bonds;
- (3) division, merger, dissolution, liquidation and voluntary liquidation or change in the form of the Company;
- (4) amendments to the Articles of Association;
- (5) purchase or disposal of material assets (including but not limited to land, building, equipment, production line, equity) or guarantee of the Company within one year with the amount exceeding 30% of the latest audited total assets of the Company;
- (6) equity incentive plan;
- (7) any other matters as required by laws, administrative regulations, listing rules of the places where the shares of the Company are listed or the Articles of Association or matters which, as resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need be approved by way of special resolutions.

"Within one year" refers to "within one financial year".

### **SPECIAL PROCEDURES FOR VOTING OF CLASS SHAREHOLDERS**

Shareholders holding different classes of shares shall be class shareholders.

Class shareholders shall enjoy the rights and assume the obligations in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

The Company shall not proceed to change or abrogate the rights of class shareholders unless such proposed change or abrogation has been approved by way of a special resolution at a general meeting and by a separate shareholder meeting convened by the class shareholders so affected in accordance with the Articles of Association.

The following circumstances shall be deemed as change or abrogation of the rights of a certain class shareholder:

- (1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

- (2) to change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant relevant conversion rights;
- (3) to cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;
- (4) to reduce or cancel rights attached to the shares of such class to preferentially receive dividends or distributions of assets in a liquidation of the Company;
- (5) to add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of such class;
- (6) to cancel or reduce rights to receive payments made by the Company in a particular currency attached to the shares of such class;
- (7) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (8) to restrict the transfer or ownership of the shares of such class or to impose additional restrictions;
- (9) to issue rights to subscribe for, or to convert into, shares of such class or another class;
- (10) to increase the rights and privileges of the shares of another class;
- (11) to restructure the Company in such a way as to cause shareholders of different classes to undertake liabilities disproportionately during the restructuring; and
- (12) to amend or cancel provisions in this section.

Shareholders of the affected class, whether or not with the rights to vote at general meetings originally, shall have the right to vote at shareholders' class meetings in respect of matters referred to in items (2) to (8) and (11) to (12) above, except that interested shareholders shall not vote at such shareholders' class meetings.

The term "interested shareholders" in the preceding paragraph shall mean:

- (1) in case of a buy-back of shares by the Company by way of a general offer to all shareholders in equal proportion or by way of open market transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholders as defined in the Articles of Association shall be the "interested shareholders";
- (2) in case of a buy-back of shares by the Company by an off-market agreement in accordance with the Articles of Association, holders of shares in relation to such agreement shall be the "interested shareholders";
- (3) in case of a proposed restructuring of the Company, shareholders who assume a relatively lower proportion of obligation than the obligations imposed on the other shareholders of that class or who have an interest in the proposed restructuring that is different from the general interests in such proposed restructuring of the other shareholders of that class shall be the "interested shareholders".

Resolution of a shareholders' class meeting shall be passed only by two thirds or more of the total voting rights being held by the shareholders of that class who are present and entitled to vote at the shareholders' class meeting in accordance with the Articles of Association.

When the Company is to convene a shareholders' class meeting, it shall issue a written notice fifteen days or ten working days (whichever is longer) prior to the date of such meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.

In the event that the number of the voting shares represented by the shareholders intending to attend the meeting is more than one half of the total number of voting shares of that class, the Company may convene a shareholders' class meeting. Otherwise, the Company shall within five days notify the shareholders once again, by way of public announcement, of the matters to be considered at the meeting and the date and place of the meeting. Upon notification by public announcement, the Company may then proceed to convene the shareholders' class meeting.

If provisions otherwise provided by the listing rules of the stock exchange in the place where the Company's shares are listed, these provisions shall apply.

The notice of a shareholders' class meeting shall be sent to the Shareholders entitled to vote at such meeting only.

The procedure of a shareholders' class meeting shall, to the extent possible, be identical with the procedure of a general meeting. Provisions of the Articles of Association relevant to procedure for the holding of a general meeting shall be applicable to a shareholders' class meeting, unless otherwise stipulated in the Articles of Association.

Except for other classes of Shareholders, domestic shareholders and foreign shareholders of listed shares are treated as different classes of shareholders.

In the following circumstances, the special procedures for voting by class shareholders shall not apply:

- (1) with the approval by a special resolution at the general meeting, the Company issues Domestic Shares or overseas listed foreign shares alone or at the same time at each interval of 12 months and the number of the proposed Domestic Shares and overseas listed foreign shares does not exceed 20% of the respective outstanding shares of such class.
- (2) the Company has made the plans to issue Domestic Shares or overseas listed foreign shares at the time of incorporation and the implementation of such plan has been completed within 15 months from the date of approval by the securities regulatory authority of the State Council.
- (3) listing and trading of the unlisted shares held by shareholders of the Company on overseas stock exchanges under the approval by the securities regulatory authority of the State Council and Hong Kong Stock Exchange.

## **DIRECTORS AND THE BOARD OF DIRECTORS**

### **(1) Directors**

The Company shall set aside a period of time before the relevant meeting is held on the nomination of candidates by shareholders to be Directors. Within such period, shareholders may give written notice to the Company on the nomination of candidates to be Directors, and the candidates may give written notice to the Company on their willingness to accept the nomination. The said period shall

be at least seven days, and the starting date shall not be earlier than the first date of the notice of the relevant meeting and the deadline for such period shall be no later than seven days before the date of the relevant meeting.

Directors shall be elected and replaced at the general meeting and serve a term of three years for each session. A director may serve consecutive terms if re-elected upon the expiry of his/her term.

The term of office of the Directors shall be counted from the date of appointment until the expiration of the term of the current Board of Directors. When the Directors' term expires and re-election not be held in time, or where the resignation of a director during his term of office causes the number of board members to be less than the quorum, the original Directors shall still perform their duties as Directors in accordance with laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the Company's shares are listed and the Company's Articles of Association before the re-elected Directors take office.

Any person appointed by the Board of Directors as a Director to fill a temporary vacancy or to increase the number of the Board of Directors shall hold office only until the first general meeting of the Company following his or her appointment and shall then be eligible for re-election.

Before the expiration of any Director's term of office, subject to the relevant laws, administrative regulations and the listing rules of the stock exchanges, the general meeting of shareholders may remove such Director before expiry of his/her term of office (but without prejudice to any claim for compensation pursuant to any contract) by ordinary resolution.

The Directors need not hold any of our shares.

## **(2) Board of Directors**

The Company shall have a board of directors which shall be accountable and report to the general meeting. The board of directors shall consist of seven directors, including three independent non-executive directors. The board of directors shall have a chairman. The chairman of the board shall be elected and removed by more than half of all directors, with a term of office of three years and may be re-elected.

The Board of Directors shall be accountable to the general meeting and shall exercise the following powers and duties:

- (1) to convene a general meeting and report its work to such meeting;
- (2) to implement the resolutions of a general meeting;
- (3) to decide on the operation plans and investment schemes of the Company;
- (4) to prepare the draft annual budget and final accounts of the Company;
- (5) to prepare the profit distribution plan and the loss recovery plan of the Company;
- (6) to prepare the plan for the Company to increase or reduce its registered capital, issuance of bonds and other securities and listing plans;
- (7) to prepare plans of the Company with respect to mergers, divisions, dissolution or changes of the form of the Company;

- (8) to decide on the establishment of the internal management organizations of the Company;
- (9) to appoint or dismiss the general manager, the secretary to the Board and the company secretary, and to decide on their remunerations; to appoint or dismiss the senior management including the deputy general managers and the chief financial officer of the Company in accordance with the nominations made by general manager, and to decide on their remunerations;
- (10) to establish a basic management system of the Company;
- (11) to prepare plans to amend the Articles of Association;
- (12) to authorize the chairman of the Board of Directors or general manager to exercise part of the functions and powers of the Board of Directors;
- (13) to consider and approve, calculated in accordance with the provisions of Rule 14.07 of the Listing Rules, (1) all share transactions with a percentage rate of less than 5% and the consideration includes shares to be issued and listed (including one-off transactions and series of transactions that need to be combined to calculate the percentage rate), and (2) disclosed transactions with a percentage rate of more than 5% but less than 25% (including one-off transactions and series of transactions that need to be combined to calculate the percentage rate), and (3) partial-exempt related transactions and non-exempt related transactions with a percentage rate (excluding profit ratio) higher than 0.1% and lower than 5% calculated in accordance with the provisions of Rule 14.07 of the Listing Rules (including one-off transactions and series of transactions that need to be combined to calculate the percentage rate);
- (14) to decide, among others, the Company's external investment, purchase and sale of assets, provision of security on the Company's assets, entrusted wealth management, financing and others that are subject to the decision making by the Board as required in the listing rules of the securities exchange where the shares of the Company are listed;
- (15) to formulate the Company's equity incentive plan;
- (16) to propose the amount of Directors' remuneration and the scheme of payment method, and report to the general meeting for decision;
- (17) to manage the information disclosure of the Company;
- (18) to make the proposal of engaging or replacing an accounting firm to the general meeting;
- (19) to decide on such major matters and administrative affairs other than those ought to be decided by the general meeting as specified in the laws, administrative regulations, departmental rules and these Articles of Association;
- (20) to consider, review and approve the matters on the Company's external guarantee which shall not fall into the scope required to be considered by the general meeting as provided in Article 57 of the Articles of Association;
- (21) to exercise other powers and duties conferred by relevant laws, administrative regulations, departmental regulations, the listing rules of the stock exchange where our shares are listed or the Articles of Association.

The Board meeting shall not be held unless more than one half of the Directors are present.



Except for the Board resolutions in respect of the matters specified in clauses (6), (7) and (11) above which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by the affirmative vote of a simple majority of the Directors.

Should the foregoing exercise of such functions and powers by the Board, or any transaction or arrangement of the Company be considered and reviewed by a general meeting according to the listing rules of the stock exchange(s) of the place(s) where the Company's shares are listed, such shall be submitted to the general meeting for consideration and review.

When the Board of Directors disposes assets, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the cost received from the fixed assets of the Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of the Company indicated on the latest audited balance sheet submitted at the general meeting.

A disposition of fixed assets includes certain acts of transfer of interests in assets but does not include the provision of fixed assets as security.

The validity of the transactions with respect to the disposal of fixed assets of the Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

#### **SECRETARY TO THE BOARD**

The Company shall have one secretary to the Board, which is engaged or dismissed by the Board of Directors. The secretary to the Board shall be one of the senior management members.

Any Directors or other senior management members of the Company may serve concurrently as the secretary to the Board of the Company. The accountants of the accounting firm engaged by the Company shall not serve concurrently as the secretary to the Board of the Company.

Where the secretary to the Board concurrently acts as a director, for an act which is required to be made by a director and the secretary to the Board separately, the person who concurrently acts as a director and the secretary to the Board may not perform the act in dual capacity.

#### **GENERAL MANAGER**

The Company has one general manager, which is appointed or removed by the Board of Directors.

The Company has a number of deputy general managers, who are appointed or dismissed by the Board of Directors.

The general manager shall be accountable to the Board of Directors and exercise the following powers and duties:

- (1) to take charge of the operation and management of the Company, organize the implementation of resolutions of the Board of Directors and report to the Board of Directors;
- (2) to organize the implementation of the annual business plan and investment scheme of the Company;

- (3) to draft the plan for the establishment of an internal management organization of the Company;
- (4) to formulate the Company's basic management system;
- (5) to make specific rules and regulations of the Company;
- (6) to propose for the appointment or dismissal of senior management such as the deputy general managers and chief financial officer;
- (7) to decide the appointment or dismissal of the management personnel other than those who should be appointed or dismissed by the Board of Directors;
- (8) to perform other powers and duties authorized by the Articles of Association or the Board of Directors.

### **SUPERVISORY COMMITTEE**

The Company shall have a Supervisory Committee.

The Supervisory Committee consists of three members. The Supervisory Committee shall have a chairman. The term of office of a Supervisor is three years. Upon expiration of the term of office, the Supervisors can be re-elected and re-appointed.

The chairman of the Supervisory Committee shall be appointed or dismissed by the votes of two thirds or more of the members of the Supervisory Committee.

Supervisors shall be representatives of shareholders and employees of the Company. Supervisors assumed by the Company's employee representatives shall not be less than one-third of the total number of supervisors. The employee representatives of the Supervisory Committee shall be elected at the employee representatives' meeting, employee meeting or otherwise democratically. Supervisors who are shareholder representatives shall be elected, replaced and dismissed by the general meetings.

Directors and senior management personnel shall not concurrently serve as supervisors.

The Supervisory Committee shall be accountable to the general meeting, and exercise the following duties and powers:

- (1) to review the financial position of the Company;
- (2) to supervise the performance of Directors and senior management members of their duties to the Company, and propose dismissal of Directors and senior management members that have violated the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed, the Articles of Association or the resolutions of the general meetings;
- (3) to demand rectification by Directors and senior management members of the Company when the acts of such persons are prejudicial to the Company's interest;
- (4) to review financial information such as financial reports, business reports, and profit distribution plans as proposed by the Board to the general meetings, and to engage certified public accountants and practicing auditors to assist with further examination in the name of the Company if there are any queries;

- (5) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties; to put forward proposals to general meetings;
- (6) to negotiate with Directors on behalf of the Company or initiate litigations against Directors;
- (7) to conduct investigation in case of any abnormality found in the operation of the Company; and if necessary, to retain at the expense of the Company such agencies as certified accounting firm and law firm to assist its work;
- (8) other duties and powers conferred by laws, administrative regulations and the Articles of Association.

Supervisors may present at meetings of the Board of Directors.

Resolution of the Board of Supervisors shall require approval from two-thirds of the Supervisors.

### **BORROWING POWER**

The Company shall not, directly or indirectly, provide loans or loan guarantees to directors, supervisors and senior managers of the Company or its controlling shareholders, or to the related parties thereof.

The preceding paragraph does not apply to the following circumstances:

- (1) where the Company provides loans to its subsidiaries or provides loan guarantees for its subsidiaries;
- (2) where the Company, in accordance with the contracts of appointment as proved by the general meeting of shareholders, provides loans, loan guarantees or other funds for directors, supervisors and senior managers for payments made on behalf of the Company or for payments or expenses incurred in the performance of their duties; and
- (3) where the scope of the Company's normal business operations includes provision of loans and loan guarantees, the Company may provide loans and loan guarantees for its directors, supervisors and senior managers and to their related parties; however, such provision of loans or loan guarantees shall be under normal business conditions.

### **FINANCIAL AND ACCOUNTING SYSTEM**

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and PRC accounting standards formulated by relevant authorities in the PRC.

The accounting year of the Company shall be consistent with the Gregorian calendar year, i.e. from January 1 to December 31 on the Gregorian calendar. The Company shall prepare its financial reports at the end of each accounting year and conduct review and verification as required by law.

The financial reports of the Company shall be kept at the Company and shall be made available to the shareholders at least twenty days before the annual general meeting is held. Each shareholder of the Company shall have the right to obtain the copy of the financial report mentioned in this chapter.

The Company shall deliver or send directors' report with the balance sheet (including each document required to be attached thereto in accordance with the laws and administrative regulations of the PRC or others), profit and loss statement or statement of income and expenditure, or summary of financial statements by prepaid post to the address of each holder of overseas-listed foreign shares as registered in the register of members at least twenty one days before the annual general meeting. The Company can proceed by way of announcements (including announcement via the Company's website and/or newspapers), on condition that such announcements are in compliance with the laws, administrative regulations, departmental rules, normative documents and the relevant requirements of the securities regulatory authorities of the places where the shares of the Company are listed.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting principles and regulations, be prepared in accordance with either international accounting principles, or those of the place outside the PRC where the Company's shares are listed. If there is any material difference between the financial statements prepared in accordance with the two accounting principles, such difference shall be stated in the notes to the financial statements. In distributing the Company's after-tax profits of the relevant fiscal year, the lower of the two amounts shown in the financial statements shall be adopted.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations at the same time as well as international accounting standards or the accounting standards of the overseas area in which the shares are listed.

The Company shall publish two financial reports in each fiscal year; the interim financial report shall be published within sixty days after the end of the first six months of the fiscal year; the annual financial report shall be published within one hundred and twenty days after the end of the fiscal year.

### **PROFIT DISTRIBUTION**

The Company may distribute dividends in one of the following forms (or in more than two forms simultaneously):

- (1) Cash;
- (2) Shares;
- (3) Other methods permitted by laws, administrative regulations, departmental rules and the regulatory rules of the place(s) of listing.

The Company shall pay cash dividends and other payments in RMB to domestic shareholders. Such payments made by the Company to holders of foreign shares shall be denominated and declared in Renminbi and paid in foreign currency or in RMB. Such currencies required for the Company's payment of cash dividends and other payments to the holders of foreign shares shall be handled pursuant to the relevant provisions of the State administration of foreign exchange.

### **DISSOLUTION AND LIQUIDATION OF THE COMPANY**

The Company shall be dissolved and liquidated according to laws in any of the following circumstances:

- (1) the business term stipulated in the Articles of Association has expired or other circumstances for dissolution specified in the Articles of Association arise;

- (2) the general meeting has resolved to dissolve the Company by way of resolution;
- (3) the merger or division of the Company requires a dissolution;
- (4) the business license is revoked in accordance with the law, or the Company is ordered to close down or is canceled due to violation of laws and administrative regulations;
- (5) if the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the shareholders, and no solution can be found through any other means, the shareholders holding ten per cent or more of the total voting rights of the Company may request the People's Court to dissolve the Company;
- (6) the Company is declared bankrupt in accordance with the law because it is unable to pay its debts as they fall due;

The Company may survive by amending the Articles of Association in the case of the circumstance mentioned in Item (1) of Article 1.

Where the Company is dissolved under the circumstances set out in items (1), (2), (4) and (5) above, the Company shall establish a liquidation committee to commence liquidation within fifteen days upon the occurrence of the circumstances for dissolution. The composition of the liquidation committee shall be determined by Directors or shareholders' general meeting. If the Company fails to establish a liquidation committee on time, creditors may request the People's Court to designate certain persons to form a liquidation committee to perform liquidation.

In the event that the Company is dissolved in accordance with the provisions set forth in (6) above, the people's court shall organize the shareholders, related agencies and professional to form the liquidation team pursuant to relevant provisions of the law.

Where the Board resolves to liquidate the Company for any reason other than bankruptcy, the Board shall include a statement in its notice convening a shareholders' general meeting to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company shall be able to pay its debts in full within twelve months from the commencement of the liquidation.

The functions and powers of the Board shall terminate immediately after the resolution for liquidation is passed at the shareholders' general meeting.

The liquidation committee shall act in accordance with instructions of the general meeting and make a report at least once every year to the general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; the liquidation committee shall present a final report to the general meeting upon completion of the liquidation.

The liquidation committee shall notify all creditors within ten days after its establishment and shall publish announcements in newspapers within sixty days.

Upon liquidation for the purpose of company dissolution, after the liquidation committee has examined the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the People's Court in accordance with law to declare the Company's bankruptcy.

Following a ruling by the People's Court that the Company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the People's Court.

Following the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, a revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in China, submit the same to the general meeting or the relevant competent authorities for confirmation. Within thirty days from the date of confirmation of the aforementioned documents by the general meeting or the relevant competent authorities, the liquidation committee shall deliver the same to the company registration authority, apply for cancelation of the Company's registration and publicly announce the Company's dissolution.

#### **AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The Company may amend the Articles of Association pursuant to the provisions of the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

The amendment of the Articles of Association shall be subject to relevant decision-making procedures and go through necessary formalities in accordance with the provisions of relevant laws, administrative regulations and the Articles of Association. If an amendment to these Articles of Association involves a registered particular of the Company, registration of the change shall be carried out in accordance with the law.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was established as a limited liability company in the PRC on February 6, 2018 and was converted into a joint stock limited company on May 19, 2021 under the laws of the PRC. As of the Latest Practicable Date, the registered capital of the Company was RMB514,560,438.

Our place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong under the name of Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團有限公司) on May 18, 2021 and changed its name to Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團股份有限公司) on June 9, 2021. Ms. Lam Nim Chi has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix V and VI, respectively.

**2. Changes in Share Capital**

On February 6, 2018, our Company was incorporated with a registered capital of RMB10 million.

The following sets out the changes in the share capital of our Company within two years immediately preceding the date of this prospectus:

- (a) As part of the arrangement in relation to the Old Share Incentive Schemes, Qingdao Xinhui, Qingdao Xinda and Qingdao Xinyun subscribed for an increased registered capital of RMB1,215,991 with a total consideration of RMB1,215,991. As a result, our registered capital was increased to RMB23,023,451 on October 10, 2020. See “—D. Employee Incentive Scheme”;
- (b) Pursuant to a capital increase agreement dated September 28, 2020, Chuangzhi Fund, Guohe Fund II, Ronghui Capital, Huaxing Zhihong, Wufang Tianya, Qianhai Puzheng and Yinfeng Rongjin Investment subscribed for an increased registered capital of RMB2,466,798 with a total consideration of RMB750,000,000. As a result, our registered capital was increased to RMB25,490,249 on October 29, 2020. See “History and Corporate Structure—Pre-IPO Investments”;
- (c) Pursuant to a capital increase agreement dated February 22, 2021, Yunhai Zhicheng subscribed for an increased registered capital of RMB310,857 with a consideration of RMB100,000,000. As a result, our registered capital was increased to RMB25,801,106 on March 1, 2021. See “History and Corporate Structure—Pre-IPO Investments”;
- (d) As part of the arrangement in relation to the Old Share Incentive Schemes, Qingdao Xinhui subscribed for an increased registered capital of RMB750,000 with a consideration of RMB750,000. As a result, our registered capital was increased to RMB26,551,106 on March 25. See “—D. Employee Incentive Scheme”;



- (e) Pursuant to a capital increase agreement dated May 21, 2021, SVF II Zeal subscribed for an increased registered capital of RMB2,035,585 with a consideration of US\$115,000,000. As a result, our registered capital was increased to RMB28,586,691 on May 25, 2021. See “History and Corporate Structure—Pre-IPO Investments”; and
- (f) On June 3, 2021, the registered capital of the Company was increased to RMB514,560,438 by way of conversion of reserved capital into share capital according to the then existing shareholding structure.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this prospectus.

### 3. Resolutions of our Shareholders

At the general meeting of the Shareholders held on June 9, 2021, the following resolutions, among other things, were duly passed:

- (a) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;
- (b) the number of H shares to be issued shall be no more than 171,520,146, representing approximately 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;
- (c) subject to the CSRC’s approval, upon completion of the Global Offering, 477,919,908 Domestic Shares and 36,640,530 Unlisted Foreign Shares will be converted into H Shares on a one-for-one basis;
- (d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and the listing of H Shares on the Hong Kong Stock Exchange; and
- (e) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

### 4. Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 16 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 within two years immediately preceding the date of this prospectus:

- (a) AInnovation (Shenzhen) Technology Co., Ltd. (創新奇智(深圳)技術有限公司) was incorporated on June 10, 2020 with a registered capital of RMB10 million;
- (b) China Railway Qizhi (Hefei) Technology Co., Ltd. (中鐵奇智(合肥)科技有限公司) was incorporated on February 2, 2021 with a registered capital of RMB10 million;
- (c) AInnovation (Zhejiang) Technology Co., Ltd. (創新奇智(浙江)科技有限公司) was incorporated on February 23, 2021 with a registered capital of RMB20 million; and

- (d) RewinCloud (Qingdao) Technology Co., Ltd. (睿雲奇智(青島)科技有限公司) was incorporated on June 3, 2021 with a registered capital of RMB10 million.

Save as set out above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

## 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:

- (a) the series C investment capital increase agreement dated September 28, 2020 entered into between Qingdao CICC ALPHA Chuangzhi Equity Investment Fund (Limited Partnership) (青島甲子創智股權投資基金(有限合夥)) (“**Chuangzhi Fund**”), Shanghai Guohe Phase II Modern Service Industry Equity Investment Fund Partnership (上海國和二期現代服務業股權投資基金合夥企業(有限合夥)) (“**Guohe Fund II**”), Xiamen Ronghui Hongshang Equity Investment Limited Partnership (Limited Partnership) (廈門融匯弘上股權投資合夥企業(有限合夥)) (“**Xiamen Ronghui**”), Tianjin Huaxing Zhihong Equity Investment Partnership (Limited Partnership) (天津華興志鴻股權投資合夥企業(有限合夥)) (“**Huaxing Zhihong**”), Wufang Tianya Group Co., Ltd. (五方天雅集團有限公司) (“**Wufang Tianya**”), Shenzhen Qianhai Puzheng Investment Management Co., Ltd. (深圳前海普正投資管理有限公司) (“**Qianhai Puzheng**”), Yinfeng Rongjin (Beijing) Investment Management Co., Ltd. (銀豐融金(北京)投資管理有限公司) (“**Yinfeng Rongjin Investment**”), Shenzhen AInnovation Technology Co., Ltd. (深圳創新奇智科技有限公司) (“**Shenzhen AInnovation Technology**”), the **Contracting Group Companies** (being AInnovation (Qingdao) Technology Co., Ltd. (創新奇智(青島)科技有限公司), AInnovation (Xi’an) Technology Co., Ltd. (創新奇智(西安)科技有限公司), AInnovation (Chengdu) Technology Co., Ltd. (創新奇智(成都)科技有限公司), AInnovation (Hefei) Technology Co., Ltd. (創新奇智(合肥)科技有限公司), AInnovation (Chongqing) Technology Co., Ltd. (創新奇智(重慶)科技有限公司), AInnovation (Beijing) Technology Co., Ltd. (創新奇智(北京)科技有限公司), AInnovation (Shanghai) Technology Co., Ltd. (創新奇智(上海)科技有限公司), AInnovation (Nanjing) Technology Co., Ltd. (創新奇智(南京)科技有限公司), RewinCloud (Chongqing) Technology Co., Ltd. (睿雲奇智(重慶)科技有限公司) and AInnovation (Shenzhen) Technology Co., Ltd. (創新奇智(深圳)技術有限公司)), Xu Hui (徐輝), WANG JING, Zhang Fa’en (張發恩) (Xu Hui, WANG JING and Zhang Fa’en, together known as the “**Founders Team**”), Sinovation Ventures (Beijing) Enterprise Management Limited (創新工場(北京)企業管理股份有限公司) (“**Sinovation Ventures**”), Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd. (北京創新工場育成管理諮詢有限公司) (“**Sinovation Ventures Yucheng**”), Wang Hua (汪華), Tao Ning (陶寧), Tianjin Xinnuo Business Management Consulting Partnership Enterprise (Limited Partnership) (天津新諾企業管理諮詢合夥企業(有限合夥)) (“**Tianjin Xinnuo**”), Tianjin Xinqi Entrepreneurship Service Center (Limited Partnership) (天津新奇創業服務中心(有限合夥)) (“**Tianjin Xinqi**”), Tianjin Xinhui Entrepreneurship Service Center (Limited Partnership) (天津新輝創業服務中心(有限合夥)) (“**Tianjin Xinhui**”), Tianjin Xinda Entrepreneurship Service Center (Limited Partnership) (天津新達創業服務中心(有限合夥)) (“**Tianjin Xinda**”), Tianjin Xinyun Entrepreneurship Service Center (Limited Partnership)

- (天津新雲創業服務中心(有限合夥)) (“**Tianjin Xinyun**”) and the founder shareholders (as defined therein, the agreement of the founder shareholders to the terms of this series C investment capital increase agreement were represented by the respective signature pages of the Founders Team), pursuant to which (i) Chuangzhi Fund agreed to subscribe for an increased registered capital of RMB1,480,079 in Shenzhen AInnovation Technology with a consideration of RMB450,000,000; (ii) Guohe Fund II agreed to subscribe for an increased registered capital of RMB361,797 in Shenzhen AInnovation Technology with a consideration of RMB110,000,000; (iii) Xiamen Ronghui agreed to subscribe for an increased registered capital of RMB263,125 in Shenzhen AInnovation Technology with a consideration of RMB80,000,000; (iv) Huaxing Zhihong agreed to subscribe for an increased registered capital of RMB164,453 in Shenzhen AInnovation Technology with a consideration of RMB50,000,000; (v) Wufang Tianya agreed to subscribe for an increased registered capital of RMB98,672 in Shenzhen AInnovation Technology with a consideration of RMB30,000,000; (vi) Qianhai Puzheng agreed to subscribe for an increased registered capital of RMB32,891 in Shenzhen AInnovation Technology with a consideration of RMB10,000,000; and (vii) Yinfeng Rongjin Investment agreed to subscribe for an increased registered capital of RMB65,781 in Shenzhen AInnovation Technology with a consideration of RMB20,000,000;
- (b) the supplemental agreement to the series C investment capital increase agreement dated October 12, 2020 entered into between Chuangzhi Fund, Guohe Fund II, Xiamen Ronghui, Huaxing Zhihong, Wufang Tianya, Qianhai Puzheng, Yinfeng Rongjin Investment, Shenzhen AInnovation Technology, the Contracting Group Companies, Xu Hui (徐輝), WANG JING, Zhang Fa'en (張發恩), Sinovation Ventures, Sinovation Ventures Yucheng, Wang Hua (汪華), Tao Ning (陶寧), Tianjin Xinnuo, Tianjin Xinqi, Tianjin Xinhui, Tianjin Xinda, Tianjin Xinyun, the founder shareholders (as defined therein, the agreement of the founder shareholders to the terms of this supplemental agreement to the series C investment capital increase agreement were represented by the respective signature pages of the Founders Team) and Xiamen Ronghui Yingjia Equity Investment Partnership (Limited Partnership) (廈門融匯盈嘉股權投資合夥企業(有限合夥)) (“**Ronghui Capital**”), pursuant to which, all parties confirmed and agreed that Ronghui Capital would assume all the rights and obligations of Xiamen Ronghui under the series C investment capital increase agreement dated September 28, 2020 and other transaction documents, and Ronghui Capital would replace Xiamen Ronghui to become one of the series C investors;
- (c) the series C+ investment capital increase agreement dated February 22, 2021 entered into between Qingdao Yunhai Zhicheng Investment Management Center (Limited Partnership) (青島雲海至誠投資管理中心(有限合夥)) (“**Yunhai Zhicheng**”), Qingdao AInnovation Technology Group Co., Ltd. (青島創新奇智科技集團有限公司), the Contracting Group Companies, Xu Hui (徐輝), WANG JING, Zhang Fa'en (張發恩), Sinovation Ventures, Sinovation Ventures Yucheng, Wang Hua (汪華), Tao Ning (陶寧), Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership) (青島新諾智奇企業管理諮詢合夥企業(有限合夥)) (“**Xinnuo Zhiqi**”), Qingdao Xinqi Entrepreneurship Service Center (Limited Partnership) (青島新奇創業服務中心(有限合夥)) (“**Qingdao Xinqi**”), Qingdao Xinhui Zhiqi Entrepreneurship Service Center (Limited Partnership) (青島新輝智奇創業服務中心(有限合夥)) (“**Qingdao Xinhui**”), Qingdao Xinda Entrepreneurship Service Center (Limited Partnership) (青島新達創業服務中心(有限合夥)) (“**Qingdao Xinda**”), Qingdao Xinyun Entrepreneurship Service Center (Limited Partnership) (青島新雲創業服務中心(有限合夥)) (“**Qingdao Xinyun**”) and the founder

shareholders (as defined therein, the agreement of the founder shareholders to the terms of this series C+ investment capital increase agreement were represented by the respective signature pages of the Founders Team), pursuant to which Yunhai Zhicheng agreed to subscribe for the Company's increased registered capital of RMB310,857 with a consideration of RMB100,000,000;

- (d) the equity interest transfer agreement dated March 29, 2021 entered into between Shanghai Lanyue Enterprise Management (Limited Partnership) (上海攬岳企業管理中心(有限合夥)) (“**Shanghai Lanyue**”), Qingdao AInnovation Technology Group Co., Ltd. (青島創新奇智科技集團有限公司), the Contracting Group Companies, AInnovation (Zhejiang) Technology Co., Ltd. (創新奇智(浙江)科技有限公司), Xu Hui (徐輝), WANG JING, Zhang Fa'en (張發恩), Sinovation Ventures, Sinovation Ventures Yucheng, Wang Hua (汪華), Tao Ning (陶寧), Xinnuo Zhiqi, Qingdao Xinqi, Qingdao Xinhui, Qingdao Xinda, Qingdao Xinyun, the founder shareholders (as defined therein, the agreement of the founder shareholders to the terms of this equity interest transfer agreement were represented by the respective signature pages of the Founders Team), Beijing Sinovation Ventures Center (Limited Partnership) (北京創新工場創業投資中心(有限合夥)) (“**Sinovation Ventures Funds**”) and Qingdao Innovation Zhicheng Technology Center (Limited Partnership) (青島創新智成科技中心(有限合夥)) (“**Innovation Zhicheng**”), pursuant to which Shanghai Lanyue agreed to acquire the Company's registered capital of RMB145,485 from Sinovation Ventures Funds with considerations of RMB39,999,864.13, and to acquire the Company's registered capital of RMB218,229 from Innovation Zhicheng with considerations of RMB60,000,208.60;
- (e) the series D investment capital increase agreement dated May 21, 2021 entered into between SVF II Zeal Subco (Singapore) Pte. Ltd. (“**SVF II Zeal**”), the Company, the Contracting Group Companies, AInnovation (Zhejiang) Technology Co., Ltd. (創新奇智(浙江)科技有限公司), Xu Hui (徐輝), WANG JING, Zhang Fa'en (張發恩), Sinovation Ventures, Sinovation Ventures Yucheng, Wang Hua (汪華), Tao Ning (陶寧), Xinnuo Zhiqi, Qingdao Xinqi, Qingdao Xinhui, Qingdao Xinda, Qingdao Xinyun and the founder shareholders (as defined therein, the agreement of the founder shareholders to the terms of this series D investment capital increase agreement were represented by the respective signature pages of the Founders Team), pursuant to which SVF II Zeal agreed to subscribe for the Company's increased registered capital of RMB2,035,585 with a consideration of US\$115,000,000 (equivalent to RMB739,450,000);
- (f) the amended and restated series D shareholders agreement dated May 21, 2021 entered into between Xu Hui (徐輝), WANG JING, Zhang Fa'en (張發恩), Sinovation Ventures, Sinovation Ventures Yucheng, Xinnuo Zhiqi, Qingdao Xinqi, Qingdao Xinhui, Qingdao Xinda, Qingdao Xinyun, Wang Hua (汪華), Tao Ning (陶寧), the founder shareholders (as defined therein, the agreement of the founder shareholders to the terms of this amended and restated series D shareholders agreement were represented by the respective signature pages of the Founders Team), Innovation Zhicheng, Chengwei Evergreen Equity Investment Partnership (Limited Partnership) (南通成為常青股權投資合夥企業(有限合夥)), Sinovation Ventures Funds, Shanghai Lanyue, Ningbo Meishan Free Trade Port Hongxi Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓熙股權投資合夥企業(有限合夥)), Ningbo Meishan Free Trade Port Hongyue Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區泓越股權投資合夥企業(有限合夥)), Ningbo Meishan Free Trade Port Honger Equity Investment Partnership (Limited Partnership) (寧



波梅山保稅港區泓爾股權投資合夥企業(有限合夥)), Shenzhen Huasheng Lingxiu Equity Investment Partnership (Limited Partnership) (深圳華晟領秀股權投資合夥企業(有限合夥)), Jiaxing Yilang Kunrui Investment Management Partnership (Limited Partnership) (嘉興宜朗坤瑞投資管理合夥企業(有限合夥)), Huangshan SAIF Tourism Culture Industry Development Fund (Limited Partnership) (黃山賽富旅遊文化產業發展基金(有限合夥)), Qingdao SAIF Haohai Venture Capital Center (Limited Partnership) (青島賽富皓海創業投資中心(有限合夥)), Chuangzhi Fund, Guohe Fund II, Ronghui Capital, Huaxing Zhihong, Wufang Tianya, Qianhai Puzheng, Yinfeng Rongjin Investment, Yunhai Zhicheng, SVF II Zeal, the Company, the Contracting Group Companies and AlInnovation (Zhejiang) Technology Co., Ltd. (創新奇智(浙江)科技有限公司), regarding the shareholders' rights in the Company;





- (g) the cornerstone investment agreement dated January 14, 2022 entered into between the Company, SVF II Zeal, UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and China Renaissance Securities (Hong Kong) Limited, pursuant to which SVF II Zeal agreed to subscribe for 3,186,100 H Shares of the Company at the Offer Price;
- (h) the cornerstone investment agreement dated January 14, 2022 entered into between the Company, Laurion Capital Master Fund, Ltd. (“**Laurion Capital**”), UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and China Renaissance Securities (Hong Kong) Limited, pursuant to which Laurion Capital agreed to subscribe for such number of H Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of US dollar 15,000,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy); and
- (i) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

### (a) Trademarks


As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
1	AInnoManuVision	PRC	The Company	42	39987090	From March 21, 2020 to March 20, 2030
2	AInnoManuVision	PRC	The Company	9	39966862	From March 21, 2020 to March 20, 2030
3	AInnoMatrix	PRC	The Company	9	38497405	From February 21, 2020 to February 20, 2030
4	AInnoMatrixVision	PRC	The Company	9	38496199	From February 21, 2020 to February 20, 2030
5	AInnoOrion	PRC	The Company	9	38482546	From February 21, 2020 to February 20, 2030

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
6	AInnoMatrix	PRC	The Company	42	38475421	From February 7, 2020 to February 6, 2030
7	AInnoFace	PRC	The Company	42	38475418	From April 21, 2020 to April 20, 2030
8	AInnoOrion	PRC	The Company	42	38453215	From January 28, 2020 to January 27, 2030
9	AInnoMatrixVision	PRC	The Company	42	38450840	From January 28, 2020 to January 27, 2030
10	ManuVision	PRC	The Company	9	36829303	From November 14, 2019 to November 13, 2029
11	奇智创新	PRC	The Company	42	36223136	From February 21, 2020 to February 20, 2030
12	AInnovation	PRC	The Company	7	36132221	From September 28, 2019 to September 27, 2029
13	奇智创新	PRC	The Company	7	36131490	From November 21, 2019 to November 20, 2029
14	奇智创新	PRC	The Company	9	36125394	From February 21, 2020 to February 20, 2030
15		PRC	The Company	42	32193744	From May 28, 2019 to May 27, 2029
16		PRC	The Company	35	32187473	From May 28, 2019 to May 27, 2029
17		PRC	The Company	9	32183440	From May 28, 2019 to May 27, 2029
18	创新奇智 AI Empowering Business	PRC	The Company	42	32180411	From April 14, 2020 to April 13, 2030
19		PRC	The Company	38	32177492	From May 28, 2019 to May 27, 2029
20	创新奇智 AI Empowering Business	PRC	The Company	35	32176889	From April 14, 2020 to April 13, 2030

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
21	AInnovation	PRC	The Company	9	32141733	From April 7, 2019 to April 6, 2029
22	创新奇智 AI Empowering Business	PRC	The Company	9	32136606	From May 14, 2020 to May 13, 2030
23	AInnovation	PRC	The Company	35	32129289	From April 7, 2019 to April 6, 2029
24	创新奇智	PRC	The Company	42	32127315	From November 28, 2019 to November 27, 2029
25	AInnovation	PRC	The Company	42	32120210	From April 7, 2019 to April 6, 2029
26	AInnovation	PRC	The Company	38	32119698	From March 28, 2019 to March 27, 2029
27	创新奇智	PRC	The Company	38	32088638	From March 21, 2019 to March 20, 2029
28	创新奇智	PRC	The Company	35	32085541	From February 7, 2020 to February 6, 2030
29	创新奇智	PRC	The Company	7	31782620	From February 7, 2020 to February 6, 2030
30	创新奇智	PRC	The Company	9	31775267	From June 14, 2020 to June 13, 2030
31	创新奇智	PRC	The Company	42	31159794	From March 7, 2019 to March 6, 2029
32	创新奇智	PRC	The Company	9	31156987	From February 28, 2019 to February 27, 2029
33	创新奇智	PRC	The Company	35	31155497	From February 28, 2019 to February 27, 2029
34	AInnoFace	PRC	The Company	9	38490068	From August 28, 2020 to August 27, 2030
35	创新奇智一体机	PRC	The Company	42	46627788	From January 21, 2021 to January 20, 2031
36	AInnoabc	PRC	The Company	9	46622847	From January 14, 2021 to January 13, 2031
37	AInnovationFace	PRC	The Company	9	46619842	From January 14, 2021 to January 13, 2031
38	创新奇智一体机	PRC	The Company	9	46617520	From January 21, 2021 to January 20, 2031
39	AInnoabc	PRC	The Company	7	46615592	From January 14, 2021 to January 13, 2031
40	AInnoabc	PRC	The Company	42	46603791	From January 21, 2021 to January 20, 2031



No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
41	ManuVision	PRC	The Company	42	36831643	From January 7, 2021 to January 6, 2031
42	创新奇智一体机	PRC	The Company	7	46633134	From February 7, 2021 to February 6, 2031
43	睿云奇智	PRC	RewinCloud	42	40795335	From July 7, 2020 to July 6, 2030
44	REWINCLOUD	PRC	RewinCloud	9	40795296	From October 14, 2020 to October 13, 2030
45	赛迪奇智	PRC	CISAI Tech	42	37768013	From December 14, 2019 to December 13, 2029
46		PRC	CISAI Tech	9	37761087	From January 7, 2020 to January 6, 2030
47	CISAI Tech.	PRC	CISAI Tech	7	37749923	From December 21, 2019 to December 20, 2029
48		PRC	CISAI Tech	42	37749687	From December 21, 2019 to December 20, 2029
49	赛迪奇智	PRC	CISAI Tech	9	37745194	From December 14, 2019 to December 13, 2029
50	CISAI Tech.	PRC	CISAI Tech	42	37743945	From December 21, 2019 to December 20, 2029

**(b) Copyrights***(i) Registered copyright*

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

Works Copyright

No.	Copyright	Copyright owner	Registration number	Date of registration
1	RewinCloud	RewinCloud	Guo Zuo Deng Zi-2019-F-00966008	December 31, 2019
2	CISAI	CISAI Tech	Guo Zuo Deng Zi-2019-F-00640575	June 20, 2019

Software Copyright

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
1	Intelligent Management System for Online Construction of Urban Rail Transit v1.0	the Company	PRC	2021SR1018076	July 9, 2021

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
2	Notebook Case Intelligent Inspection And Intelligent Material Supply System v1.0	AInnovation (Qingdao) Technology Co., Ltd. (創新奇智(青島)科技有限公司) <b>(“Qingdao AInnovation”)</b>	PRC	2020SR1551392	November 6, 2020
3	AInnovation Orion Intelligent Machine Learning Platform v1.0	Qingdao AInnovation	PRC	2020SR1581559	November 16, 2020
4	AInnovation Big Data-Based Intelligent Machine Learning Energy Efficiency Management System Software v1.0	Qingdao AInnovation	PRC	2020SR1581560	November 16, 2020
5	Magnetic Material Inspection System v1.0	Qingdao AInnovation	PRC	2020SR1551422	November 6, 2020
6	Escalator Video Intelligent Monitoring System V1.0	Qingdao AInnovation	PRC	2020SR1547477	November 5, 2020
7	Equator Visual Positioning Guidance And Product Positioning Inspection System V1.0	AInnovation (Shenzhen) Technology Co., Ltd. (創新奇智(深圳)科技有限公司) <b>(“Shenzhen AInnovation”)</b>	PRC	2020SR1788722	December 10, 2020
8	Equivalent Vacuum Encapsulation Equipment Software V1.0	Shenzhen AInnovation	PRC	2020SR1788719	December 10, 2020
9	Tape Adhesive Machine Controlling Software V1.0	Shenzhen AInnovation	PRC	2020SR1788718	December 10, 2020
10	Tape Adhesion Vision Software V1.0	Shenzhen AInnovation	PRC	2020SR1788720	December 10, 2020
11	Connector Vision Inspection Software V1.0	Shenzhen AInnovation	PRC	2020SR1788721	December 10, 2020
12	AInnovation ManuVision Industrial Vision Software V1.0	AInnovation (Shanghai) Technology Co., Ltd. (創新奇智(上海)科技有限公司) <b>(“Shanghai AInnovation”)</b>	PRC	2021SR0100559	January 19, 2021
13	Zhu Xuan Yi OA System V1.0	Nanjing AInnovation	PRC	2019SR1118287	November 5, 2019
14	Shopping Innovative PayPal App Software V1.0	Nanjing AInnovation	PRC	2020SR0137746	February 14, 2020
15	Intelligent Cargo Container Advertising Service System V1.0	Nanjing AInnovation	PRC	2020SR0137750	February 14, 2020
16	New Employee Training Examination System Software V1.0	Nanjing AInnovation	PRC	2020SR0507382	May 25, 2020
17	Shopping Innovation Smart Cargo Container Management Backend System V1.0	Nanjing AInnovation	PRC	2019SR0555449	May 31, 2019

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
18	Artificial Intelligence Replenishment System V1.0	Nanjing AInnovation	PRC	2019SR0537923	May 29, 2019
19	Vehicle Intelligent Inventory Management Background System V1.0	Nanjing AInnovation	PRC	2019SR0540821	May 29, 2019
20	Data Center Energy Efficiency Optimization System V1.0	Nanjing AInnovation	PRC	2019SR0540880	May 29, 2019
21	A Hierarchical Detection and Classification Algorithm and System V1.0	Nanjing AInnovation	PRC	2019SR0540911	May 29, 2019
22	Heterogeneous Distributed Computing Resource Scheduling System V1.0	Nanjing AInnovation	PRC	2019SR0540976	May 29, 2019
23	Assembly Line Classification and Labeling System V1.0	Nanjing AInnovation	PRC	2019SR0541008	May 29, 2019
24	A System for Measuring Critical Dimensions of Clothes V1.0	Nanjing AInnovation	PRC	2019SR0537929	May 29, 2019
25	Upgrade Service System V0.4.1	Nanjing AInnovation	PRC	2020SR0133895	February 13, 2020
26	A Tensorflow-Serving Based Distributed Task Reconciliation System V1.0	Nanjing AInnovation	PRC	2020SR0133899	February 13, 2020
27	ManuVision Industrial Vision Platform V2.0.1	Nanjing AInnovation	PRC	2019SR1088871	October 28, 2019
28	ManuVision Image Annotation Tool Software V1.0	Nanjing AInnovation	PRC	2020SR0137348	February 14, 2020
29	dashboard System Software V1.0	Nanjing AInnovation	PRC	2020SR0514809	May 26, 2020
30	Filature Industrial Vision Platform V1.0	Nanjing AInnovation	PRC	2020SR1908651	December 29, 2020
31	A Real-Time Long Shelf Stitching Algorithm Software V1.0	Nanjing AInnovation (Chongqing) Technology Co., Ltd. (創新奇智(重慶)科技有限公司) <b>(“Chongqing AInnovation”)</b>	PRC	2019SR0807272	August 2, 2019
32	Automated Machine Learning Training Platform V1.0	Chongqing AInnovation	PRC	2018SR904299	November 13, 2018
33	Vehicle Intelligent Inventory Android Client Software V1.0	Chongqing AInnovation	PRC	2019SR0963572	September 17, 2019
34	Steel Coil Intelligent Quality Inspection Management System V1.0	Chongqing AInnovation	PRC	2019SR0963257	September 17, 2019

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
35	Intelligent Cargo Container Customer Service System V1.0	Chongqing AInnovation	PRC	2019SR0807431	August 2, 2019
36	Innovative Resume Parsing Back-end Software V1.0	Chongqing AInnovation	PRC	2019SR0805347	August 2, 2019
37	Intelligent Cargo Container Open Platform System V1.0	Chongqing AInnovation	PRC	2019SR0805404	August 2, 2019
38	Smart Container Order Marking System V1.0	Chongqing AInnovation	PRC	2019SR0805389	August 2, 2019
39	Smart Cargo Container Order Review System V1.0	Chongqing AInnovation	PRC	2019SR0807271	August 2, 2019
40	AInnovation Self-Service Uploading System V1.0	Chongqing AInnovation	PRC	2019SR0807265	August 2, 2019
41	MatrixVision Safety Production Intelligent Monitoring and Early Warning Management System V1.0.0	Chongqing AInnovation	PRC	2020SR1501930	September 18, 2020
42	Shopping Innovation Merchant Edition WeChat Small Program Software V1.0	Chongqing AInnovation	PRC	2019SR0807263	August 2, 2019
43	Smart Cargo Data Warehouse System V1.0	Hefei AInnovation	PRC	2019SR0794245	July 31, 2019
44	Smart Cargo BI System V1.0	Hefei AInnovation	PRC	2019SR0789643	July 30, 2019
45	Industrial Vision Artificial Intelligence Algorithm Flowchart Design Software V1.0	Hefei AInnovation	PRC	2019SR0787072	July 30, 2019
46	Intelligent Cargo Container Equipment Abnormal Monitoring System V1.0	Hefei AInnovation	PRC	2019SR0795554	July 31, 2019
47	Smart Container System V1.2	Hefei AInnovation	PRC	2019SR0736654	July 17, 2019
48	Intelligent Magnetic Tile Intelligent Inspection Equipment System V1.0	Hefei AInnovation	PRC	2019SR1071724	October 23, 2019
49	Smart City AI Supervision System V1.0	Hefei AInnovation	PRC	2019SR1074101	October 23, 2019
50	OCR Mobile Terminal Integrated Management Platform V1.0	Hefei AInnovation	PRC	2019SR1074058	October 23, 2019
51	Automated Furniture Panel Intelligent Edge Sealing Inspection System V1.0	Hefei AInnovation	PRC	2019SR1074040	October 23, 2019

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
52	ORION Automated Machine Learning Integrated Management System V1.0	Hefei AIInnovation	PRC	2019SR1074031	October 23, 2019
53	Artificial Intelligence-based Data Center Energy Efficiency Optimization System V1.0	Hefei AIInnovation	PRC	2019SR1075428	October 23, 2019
54	AI Intelligent Quality Inspection Solution System V1.0	Hefei AIInnovation	PRC	2019SR1075398	October 23, 2019
55	AI Garment Intelligent Monitoring System V1.0	Hefei AIInnovation	PRC	2019SR1072083	October 23, 2019
56	ManuVision - Industrial Quality Assurance Platform V1.0	Hefei AIInnovation	PRC	2020SR0684070	June 28, 2020
57	Intelligent Handling Robot Operation and Maintenance System V1.0	Hefei AIInnovation	PRC	2020SR0684038	June 28, 2020
58	Intelligent Video Platform V1.0	Hefei AIInnovation	PRC	2020SR0679188	June 28, 2020
59	ABC Integrated System V1.0	Hefei AIInnovation	PRC	2020SR0681252	June 28, 2020
60	Personalized Intelligent Promotion Platform V1.0	Hefei AIInnovation	PRC	2020SR0679196	June 28, 2020
61	Channel Display Insight System V1.0	Hefei AIInnovation	PRC	2020SR0683669	June 28, 2020
62	NDT Artificial Intelligence Analysis System V1.0	Hefei AIInnovation	PRC	2020SR0681247	June 28, 2020
63	Equipment Prediction and Health Management PHM System V1.0	Hefei AIInnovation	PRC	2020SR0680915	June 28, 2020
64	Intelligent Supply Chain Platform V1.0	Hefei AIInnovation	PRC	2020SR0679180	June 28, 2020
65	AI Vision Glass Quality Inspection Integrated Machine Management System V1.0	Hefei AIInnovation	PRC	2020SR0688314	June 29, 2020
66	RewinCloud Multi-Cloud Service Management Platform V1.0	RewinCloud	PRC	2019SR1108120	November 1, 2019
67	RewinCloud Big Data-based Log Management and Analysis System Software V1.0	RewinCloud	PRC	2019SR1108117	November 1, 2019
68	RewinCloud Deep Learning and Intelligent Recognition Service Platform V1.0	RewinCloud	PRC	2019SR1096523	October 29, 2019
69	RewinCloud Storage Virtualization Service Software V1.0	RewinCloud	PRC	2021SR0818086	June 2, 2020

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
70	Hybrid Cloud Resource Under-management Scheduling System V1.0	RewinCloud	PRC	2020SR0701547	July 1, 2020
71	Intelligent Data Analysis Insurance Auditing Platform V1.0	RewinCloud	PRC	2020SR0701556	July 1, 2020
72	Hybrid Cloud Storage Intelligent Monitoring System V1.0	RewinCloud	PRC	2020SR1908652	December 29, 2020
73	AInnovation AIOps Smart Operation and Maintenance Took Kit Software V1.0	RewinCloud	PRC	2021SR0474462	March 30, 2021
74	RewinCloud Data Center Management System Software V1.0	RewinCloud	PRC	2021SR0806455	June 1, 2021
75	RewinCloud Log Big Data Management Platform Software V1.0	RewinCloud	PRC	2021SR0807017	June 1, 2021
76	RewinCloud Security Service Platform Software V1.0	RewinCloud	PRC	2021SR0807016	June 1, 2021
77	RewinCloud ABC All-in-one Big Data Management Platform Software V1.0	RewinCloud	PRC	2021SR0806501	June 1, 2021
78	RewinCloud ABC All-in-One Container Service Platform Software V1.0	RewinCloud	PRC	2021SR0806405	June 1, 2021
79	RewinCloud Data Center Security Monitoring Platform Software V1.0	RewinCloud	PRC	2021SR0812195	June 1, 2021
80	RewinCloud Blockchain Product Quality Tracking and Tracing Service Software V1.0	RewinCloud	PRC	2021SR0812132	June 1, 2021
81	RewinCloud Data Center Asset Management Software V1.0	RewinCloud	PRC	2021SR0812193	June 1, 2021
82	RewinCloud Blockchain Public Service Platform Software V1.0	RewinCloud	PRC	2021SR0818087	June 2, 2021
83	Non-standard Commodity Self-checkout Software V1.0	AInnovation (Beijing) Technology Co., Ltd. (創新奇智(北京)科技有限公司) (“Beijing AInnovation”)	PRC	2018SR909583	November 14, 2018
84	Intelligent Cargo Container Algorithm Automation Test Platform V1.0	Beijing AInnovation	PRC	2019SR0333722	April 15, 2019

No.	Copyright	Copyright owner	Place of registration	Registration number	Date of registration
85	AInnovation ERP System V1.0	Beijing AInnovation	PRC	2019SR0332349	April 15, 2019
86	Crowd Gathering Intelligent Detection System V1.0	Beijing AInnovation	PRC	2019SR0331871	April 15, 2019
87	A Self-help Learning Defect System V1.0	Beijing AInnovation	PRC	2019SR0332160	April 15, 2019
88	Sku Unified Management System V1.0	Beijing AInnovation	PRC	2019SR0331879	April 15, 2019
89	AInnovation Intelligent Operation and Maintenance System V1.0	Beijing AInnovation	PRC	2020SR0289706	March 25, 2020
90	AInnovation Starfish Project Management System V1.0	Beijing AInnovation	PRC	2021SR0785862	May 28, 2021
91	Shopping Innovation WeChat App Software V1.0	AInnovation (Guangzhou) Technology Co., Ltd. (創新奇智(廣州)科技有限公司) <b>(“Guangzhou AInnovation”)</b>	PRC	2019SR0634652	June 19, 2019
92	Automated Annotation Collection System V1.0	Guangzhou AInnovation	PRC	2019SR0636234	June 20, 2019
93	Intelligent Distribution System V1.0	Guangzhou AInnovation	PRC	2019SR0635420	June 20, 2019
94	Intelligent Cargo Container Self-test Software V1.0	Guangzhou AInnovation	PRC	2019SR0635394	June 20, 2019
95	Intelligent Cargo Container User End Control System V1.0	Guangzhou AInnovation	PRC	2019SR0633734	June 19, 2019
96	A Web System Designed by Interface V1.0	Guangzhou AInnovation	PRC	2019SR0633750	June 19, 2019
97	A Display Surface Calculation Method and System for Semantic Segmentation V1.0	Guangzhou AInnovation	PRC	2019SR0633742	June 19, 2019
98	A Fast Fuzzy Judgment Software V1.0	Guangzhou AInnovation	PRC	2019SR0634651	June 19, 2019
99	Intelligent Melted Iron QR Code System for Steel Production V1.0	CISAI Tech	PRC	2020SR0739764	July 8, 2020
100	Human-machine Interaction and Safety Control System for Intelligent Melted Iron Transportation Vehicles V1.0	CISAI Tech	PRC	2020SR1022597	September 1, 2020



<u>No.</u>	<u>Copyright</u>	<u>Copyright owner</u>	<u>Place of registration</u>	<u>Registration number</u>	<u>Date of registration</u>
101	Three-dimensional Spatial Awareness Early Warning System for Intelligent Melted Iron Transportation Vehicles V1.0	CISAI Tech	PRC	2020SR1022353	September 1, 2020
102	Real-time Testing, Diagnosis and Management Control Software for Melted Iron Transportation by Torpedo Tanker Equipment V1.0	CISAI Tech	PRC	2020SR1016482	September 1, 2020
103	Intelligent Melted Iron Multi-sensor Fusion Environment Sensing System V1.0	CISAI Tech	PRC	2020SR1025534	September 2, 2020
104	Intelligent Melted Iron Vehicle Task Processing, Distribution and Execution Software V1.0	CISAI Tech	PRC	2020SR1020132	September 1, 2020
105	Real-time Monitoring, Diagnosis, Management and Control Software for Melted Iron Transportation Vehicles Equipment V1.0	CISAI Tech	PRC	2020SR1016491	September 1, 2020
106	Intelligent Melted Iron Transportation Scheduling Application Software V1.0	CISAI Tech	PRC	2020SR1022590	September 1, 2020
107	Intelligent Melted Iron and All-weather Complex Weather Long-Distance Obstacle Sensing and Analysis Platform V1.0	CISAI Tech	PRC	2020SR1021188	September 1, 2020
108	Intelligent Melted Iron Single -line Lidar Sensing System for Steel Production V1.0	CISAI Tech	PRC	2020SR0739757	July 8, 2020
109	Remote Intelligent Scheduling Management Terminal Software for Intelligent Melted Iron Vehicles V1.0	CISAI Tech	PRC	2020SR1022360	September 1, 2020
110	Intelligent Melted Iron Multi-Vehicle Cluster Scheduling and Processing Hub System V1.0	CISAI Tech	PRC	2020SR1020136	September 1, 2020

*(c) Patents*

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

<u>No.</u>	<u>Patent name</u>	<u>Patentee</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>Application date</u>
1	A model migration-based approach to industrial data classification	the Company	PRC	ZL201910744936.8	August 13, 2019
2	A method and apparatus for selecting an artificial intelligence service system model	the Company	PRC	ZL201910904369.8	September 24, 2019
3	A recommended approach to system data abstraction and automated feature engineering	the Company	PRC	ZL201910829720.1	September 4, 2019
4	Commodity classification identification methods, devices, electronic devices and storage media	the Company	PRC	ZL202010458232.7	May 27, 2020
5	An automobile cruise control recommendation method based on a gradient boosting tree	the Company	PRC	ZL201911398812.5	December 30, 2019
6	Equipment anomaly detection methods and devices, electronic devices, storage media	the Company	PRC	ZL202010901967.2	September 1, 2020
7	Display panel with data processing graphical user interface	the Company	PRC	ZL202130251248.6	April 28, 2021
8	Garment printing quality inspection device (AI integrated type)	Qingdao AInnovation	PRC	ZL201930602881.8	November 4, 2019
9	A camera device, special camera for unmanned cargo container and unmanned cargo container	Qingdao AInnovation	PRC	ZL201921088723.6	July 11, 2019
10	Intelligent terminal scanning code identification machine	Qingdao AInnovation	PRC	ZL202022116621.X	September 23, 2020
11	A fabric defect detection device	Qingdao AInnovation	PRC	ZL202022117674.3	September 23, 2020
12	Display screen panel with video backtracking graphical user interface	Qingdao AInnovation	PRC	ZL202030660999.9	November 3, 2020
13	Object classification method	Qingdao AInnovation	PRC	ZL201910885199.3	September 19, 2019
14	Graphical user interface for epidemic prevention and control management on the display panel	Xi'an AInnovation	PRC	ZL202030569887.2	September 23, 2020
15	AI cargo container (face recognition shopping)	Chengdu AInnovation	PRC	ZL201930425332.8	August 6, 2019

No.	Patent name	Patentee	Place of registration	Patent number	Application date
16	A minimum spanning tree based method for stitching panoramic images from cell phone photos	Chengdu AInnovation	PRC	ZL201910861753.4	September 12, 2019
17	A GAN-based method for generating artificial samples of end-face edge loss of steel coils	Chengdu AInnovation	PRC	ZL201910844888.X	September 7, 2019
18	Unmanned vending counter	Chengdu AInnovation	PRC	ZL202030008937.X	January 7, 2020
19	An AI cargo container with anti-theft version	Chengdu AInnovation	PRC	ZL202020285145.1	March 10, 2020
20	A deep learning-based end-face edge detection method for steel coils	Chengdu AInnovation	PRC	ZL201910844889.4	September 7, 2019
21	A machine learning-based temperature prediction method, system and electronic device	Chengdu AInnovation	PRC	ZL201910592957.2	July 2, 2019
22	Graphical user interface of industrial cloud platform with display screen panel	Chengdu AInnovation	PRC	ZL202030570968.4	September 23, 2020
23	A method, device, storage medium and electronic device for determining the tracking status	Chengdu AInnovation	PRC	ZL202110532147.5	May 17, 2021
24	A vehicle control method, device, electronic device and storage medium	Chengdu AInnovation	PRC	ZL202110650767.9	June 11, 2021
25	An image-based item stacking detection method, system and electronic device	Shanghai AInnovation	PRC	ZL201910041413.7	January 16, 2019
26	Cell phone with health information filling GUI	Shanghai AInnovation	PRC	ZL202030344779.5	June 30, 2020
27	Graphical user interface for face recognition recording with display screen panel	Shanghai AInnovation	PRC	ZL202030569894.2	September 23, 2020
28	Video compression, reconstruction method and corresponding device, camera and video processing device	Shanghai AInnovation	PRC	ZL202011047802.X	September 29, 2020
29	A reinforcement learning based approach to data center energy efficiency optimization	Shanghai AInnovation	PRC	ZL201910848259.4	September 9, 2019
30	A migration learning based approach to data center energy efficiency optimization	Shanghai AInnovation	PRC	ZL201910848273.4	September 9, 2019

No.	Patent name	Patentee	Place of registration	Patent number	Application date
31	A predictive model-based task scheduling method, system and technical device	Shanghai AInnovation	PRC	ZL201811551247.7	December 18, 2018
32	Model training method, fault prediction method, devices and electronic devices	Shanghai AInnovation	PRC	ZL202110503299.2	May 10, 2021
33	A water-jet loom	Shanghai AInnovation	PRC	ZL202022900557.4	December 3, 2020
34	Computer with graphical user interface for garment quality inspection report output	Nanjing AInnovation	PRC	ZL202030040895.8	January 20, 2020
35	An unmanned freezer	Nanjing AInnovation	PRC	ZL201921098981.2	July 13, 2019
36	Merchandise sales identification methods and devices, electronic devices, storage media	Nanjing AInnovation	PRC	ZL202011045046.7	September 29, 2020
37	A method, device, storage medium and electronic device for processing text images	Nanjing AInnovation	PRC	ZL202010891634.6	August 31, 2020
38	Control method and device of refrigeration unit, electronic device, storage medium	Nanjing AInnovation	PRC	ZL202010882182.5	August 28, 2020
39	Lining inspection methods, devices, electronic devices and storage media	Nanjing AInnovation	PRC	ZL202010860687.1	August 25, 2020
40	A workpiece measurement method, device, electronic device and storage medium	Nanjing AInnovation	PRC	ZL202010394882.X	May 12, 2020
41	Neural network model training method, apparatus and energy efficiency optimization method for HVAC systems	Nanjing AInnovation	PRC	ZL202010389830.3	May 11, 2020
42	Visual recognition technology-based tile surface defect detection system and detection method	Nanjing AInnovation	PRC	ZL201911075938.9	November 6, 2019
43	A machine vision-based method for local radial inspection of end faces of steel coil	Nanjing AInnovation	PRC	ZL201910049888.0	January 18, 2019
44	A weight estimation method, system and its electronic device	Nanjing AInnovation	PRC	ZL201910041605.8	January 16, 2019

No.	Patent name	Patentee	Place of registration	Patent number	Application date
45	A commodity identification method, storage medium and commodity identification system	Nanjing AInnovation	PRC	ZL201811550464.4	December 18, 2018
46	A method, computer readable medium and identification system for identifying shelf goods	Nanjing AInnovation	PRC	ZL201910055003.8	January 21, 2019
47	A method, system and electronic device for setting detection threshold of image change area	Nanjing AInnovation	PRC	ZL201910050486.2	January 19, 2019
48	A computer-based data picture labeling method, system and device	Nanjing AInnovation	PRC	ZL201811551963.5	December 18, 2018
49	A revision method of sales prediction based on product category tree	Nanjing AInnovation	PRC	ZL201910088397.7	January 18, 2019
50	A visual detection device for inside walls of lipstick tube	Nanjing AInnovation	PRC	ZL202130113026.8	March 2, 2021
51	Garment quality inspection device (AI integrated type)	Chongqing AInnovation	PRC	ZL201930602883.7	November 4, 2019
52	Router (with power supply function)	Chongqing AInnovation	PRC	ZL201930439035.9	August 13, 2019
53	A method for generating pictures from video, computer readable media and conversion system	Chongqing AInnovation	PRC	ZL201910050480.5	January 19, 2019
54	A quality inspection integrated machine with the adjustable conveyor belt	Chongqing AInnovation	PRC	ZL201920086716.6	January 18, 2019
55	An image critical area detection method and its system and terminal equipment	Chongqing AInnovation	PRC	ZL201910042460.3	January 16, 2019
56	A data collection method, system and electronic device	Chongqing AInnovation	PRC	ZL201811559113.X	December 21, 2018
57	An image-based object classification method, system and electronic device	Chongqing AInnovation	PRC	ZL201811575009.X	December 21, 2018
58	Visual inspection device (crossover type)	Chongqing AInnovation	PRC	ZL202030152256.0	April 16, 2020
59	Automatic fiber collection device	Chongqing AInnovation	PRC	ZL202030044017.3	January 22, 2020
60	Vehicle damage determination method and its special equipment	Chongqing AInnovation	PRC	ZL201910967068.X	October 12, 2019

No.	Patent name	Patentee	Place of registration	Patent number	Application date
61	A deep learning-based critical point detection method for industrial parts	Chongqing AInnovation	PRC	ZL201910844922.3	September 7, 2019
62	A foreign body detection method, computer readable storage medium and detection system	Chongqing AInnovation	PRC	ZL201910050479.2	January 19, 2019
63	A method for detecting garment print defects based on deep learning stencil matching algorithm	Chongqing AInnovation	PRC	ZL201910744804.5	August 13, 2019
64	A method for developing a classification loss function based on the defective area of plated parts	Chongqing AInnovation	PRC	ZL201910862381.7	September 12, 2019
65	Graphical user interface for platform marketing introduction of display screen panel	Chongqing AInnovation	PRC	ZL202030570966.5	September 23, 2020
66	A method for detecting cloth hole defects using computer vision technology	Chongqing AInnovation	PRC	ZL201910844976.X	September 7, 2019
67	An air conditioning water valve adjustment method based on optimal control theory	Chongqing AInnovation	PRC	ZL201910843130.4	September 6, 2019
68	An online model automatic training and deployment method and system	Hefei AInnovation	PRC	ZL201910049968.6	January 18, 2019
69	An anti-theft method and system for unmanned vending cabinet, and unmanned vending cabinet with anti-theft function	Hefei AInnovation	PRC	ZL201910051355.6	January 19, 2019
70	A multi-exposure imaging-based garment printing defect detection device	Hefei AInnovation	PRC	ZL202020089590.0	January 16, 2020
71	Computer with tunnel defect recognition GUI	Hefei AInnovation	PRC	ZL202030040889.2	January 20, 2020
72	A kind of direct-cooled freezer	Hefei AInnovation	PRC	ZL201921089836.8	July 11, 2019
73	Defogging and heating device for camera lens	Hefei AInnovation	PRC	ZL201920157372.3	January 18, 2019
74	Intelligent fabric inspection machine (split type)	Hefei AInnovation	PRC	ZL202030570970.1	September 23, 2020
75	DNN-based regression distribution model and its training method, electronic equipment	Hefei AInnovation	PRC	ZL201910041056.4	January 16, 2019

No.	Patent name	Patentee	Place of registration	Patent number	Application date
76	An image difference comparison method, system and unmanned vending device	Hefei AInnovation	PRC	ZL201811570474.4	December 19, 2018
77	Flip parts and production line	Hefei AInnovation	PRC	ZL202022771614.3	November 24, 2020
78	A router with storage battery and capable of being powered on and off regularly	Beijing AInnovation	PRC	ZL201921307534.3	August 13, 2019
79	A kind of cabinet for ambient temperature intelligent cargo container	Beijing AInnovation	PRC	ZL201921308355.1	August 13, 2019
80	Merchandise identification management method, device, server and readable storage medium	Beijing AInnovation	PRC	ZL202010874612.9	August 27, 2020
81	A garment quality inspection device	Beijing AInnovation	PRC	ZL202021060759.6	June 10, 2020
82	Unmanned cargo container laminate and unmanned cargo container with the laminate	Beijing AInnovation	PRC	ZL201921962759.2	November 13, 2019
83	Method for identifying densely displayed goods and apparatus thereof	Beijing AInnovation	PRC	ZL201910885263.8	September 19, 2019
84	A log-based event synchronization method	Beijing AInnovation	PRC	ZL201910744924.5	August 13, 2019
85	A method, system and electronic device for generating training samples of fisheye distorted images	Beijing AInnovation	PRC	ZL201910611812.2	July 8, 2019
86	An image difference comparison method and its system and electronic device	Beijing AInnovation	PRC	ZL201811560245.4	December 19, 2018
87	Model-assisted data annotation system and annotation method	Beijing AInnovation	PRC	ZL201911075918.1	November 6, 2019
88	Image simulation generation method and system; deep learning algorithm training method and electronic equipment	Beijing AInnovation	PRC	ZL201910634805.4	July 12, 2019
89	An artificial intelligence analysis method, computer readable medium and system for house plan	Beijing AInnovation	PRC	ZL201910611813.7	July 8, 2019
90	A video tagging method, system and electronic equipment based on image clustering	Beijing AInnovation	PRC	ZL201910041781.1	January 16, 2019



No.	Patent name	Patentee	Place of registration	Patent number	Application date
91	A temperature measurement method, device and digital image collecting device	Beijing AInnovation	PRC	ZL202010133642.4	February 28, 2020
92	An image-based object classification method, system and electronic device	Beijing AInnovation	PRC	ZL201910535775.1	June 19, 2019
93	A discovery method for visual categories, device, electronic device and storage medium	Beijing AInnovation	PRC	ZL202110497720.3	May 8, 2021
94	Lighting device for magnetic tile inspection and inspection system for magnetic tile inspection	Guangzhou AInnovation	PRC	ZL201921101076.8	July 12, 2019
95	Self-settling Integrated machine (AI)	Guangzhou AInnovation	PRC	ZL201930023695.9	January 16, 2019
96	Encoder mounting bracket and encoder mounting structure	Guangzhou AInnovation	PRC	ZL202021742399.8	August 19, 2020
97	Fabric defect detection equipment	Guangzhou AInnovation	PRC	ZL202030474461.9	August 19, 2020
98	Display screen panel with data labeling GUI	Guangzhou AInnovation	PRC	ZL202030472084.5	August 18, 2020
99	An intelligent control system of fabric inspection machine	Guangzhou AInnovation	PRC	ZL201911162745.7	November 25, 2019
100	A camera light source automatic configuration method and system	Guangzhou AInnovation	PRC	ZL201911162753.1	November 25, 2019
101	A two-stage battery performance prediction method based on charging and discharging	Guangzhou AInnovation	PRC	ZL201910844890.7	September 7, 2019
102	A background suppression algorithm for steel coil defect detection for the end face of steel coil	Guangzhou AInnovation	PRC	ZL201910049889.5	January 18, 2019
103	An automatic detection method for loose-coiling of steel coils	Guangzhou AInnovation	PRC	ZL201910049992.X	January 18, 2019
104	An image blur detection method, system and electronic device	Guangzhou AInnovation	PRC	ZL201910041446.1	January 16, 2019
105	A data collection method, system, and electronic device	Guangzhou AInnovation	PRC	ZL201811580152.8	December 21, 2018
106	Artificial light housing system and electronic device	Guangzhou AInnovation	PRC	ZL202030660698.6	November 3, 2020

No.	Patent name	Patentee	Place of registration	Patent number	Application date
107	Object tracking methods, devices, electronic devices and readable storage media	Guangzhou AInnovation	PRC	ZL202011036764.8	September 28, 2020
108	Display panel of key point marking aids GUI	Guangzhou AInnovation	PRC	ZL202030570950.4	September 23, 2020
109	A distributed autonomous balanced artificial intelligence task dispatching method and system	Guangzhou AInnovation	PRC	ZL201910049967.1	January 18, 2019
110	Display with graphical user interface for intelligent transport systems for melted iron	CISAI Tech	PRC	ZL202030011322.2	January 8, 2020
111	Method and system for detecting pros and cons of driver's parking technology, intelligent recommendation method, and electronic equipment	CISAI Tech	PRC	ZL201910631451.8	July 12, 2019
112	An identification label and identification system	CISAI Tech	PRC	ZL202120673774.6	April 1, 2021
113	A hook stripper device	CISAI Tech	PRC	ZL202022984124.1	December 10, 2020

### 3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain names	Obligee	Registration number	Expiration date
1	beat-ncov.net	the Company	February 5, 2020	February 5, 2022
2	chuangxinqizhi.com.cn	the Company	March 9, 2018	March 9, 2022
3	chuangxinqizhi.net	the Company	March 9, 2018	March 9, 2022
4	chuangxinqizhi.cn	the Company	March 9, 2018	March 9, 2022
5	chuangxinqizhi.com	the Company	March 9, 2018	March 9, 2022
6	ai-qizhi.com.cn	the Company	March 9, 2018	March 9, 2022
7	ai-qizhi.net	the Company	March 9, 2018	March 9, 2022
8	ai-qizhi.cn	the Company	March 9, 2018	March 9, 2022
9	ai-qizhi.com	the Company	March 9, 2018	March 9, 2022
10	sinovationflag.com.cn	the Company	June 7, 2018	June 7, 2028
11	sinovationqizhi.com.cn	the Company	June 7, 2018	June 7, 2028
12	sinovationflag.com	the Company	June 7, 2018	June 7, 2028
13	sinovationflag.net	the Company	June 7, 2018	June 7, 2028
14	sinovationqizhi.cn	the Company	June 7, 2018	June 7, 2028
15	sinovationqizhi.net	the Company	June 7, 2018	June 7, 2028
16	sinovationflag.cn	the Company	June 7, 2018	June 7, 2028
17	sinovationqizhi.com	the Company	June 7, 2018	June 7, 2028
18	ainnovation.com	Chongqing AInnovation	June 22, 2014	June 22, 2028
19	ainnobiz.com	Chongqing AInnovation	December 27, 2019	December 27, 2028
20	fight-ncov.net	Chongqing AInnovation	February 5, 2020	February 5, 2028
21	chuangxinapi.com	Chongqing AInnovation	November 21, 2017	November 21, 2022
22	fight-ncov.life	Chongqing AInnovation	February 5, 2020	February 5, 2028

<u>No.</u>	<u>Domain names</u>	<u>Obligee</u>	<u>Registration number</u>	<u>Expiration date</u>
23	ainnovation.cn	Chongqing AIInnovation	January 8, 2021	January 8, 2023
24	创新奇智.net	Beijing AIInnovation	June 28, 2020	June 28, 2025
25	创新奇智.中国	Beijing AIInnovation	June 28, 2020	June 28, 2025
26	创新奇智科技.net	Beijing AIInnovation	June 28, 2020	June 28, 2025
27	创新奇智科技.中国	Beijing AIInnovation	June 28, 2020	June 28, 2025
28	北京创新奇智.net	Beijing AIInnovation	June 28, 2020	June 28, 2025
29	北京创新奇智.中国	Beijing AIInnovation	June 28, 2020	June 28, 2025
30	cisaitech.com	CISAI Tech	April 23, 2019	April 23, 2029

Save as aforesaid, 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, SUPERVISORS AND SENIOR MANAGEMENT**

### **1. Particulars of the Service Contracts**

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### **2. Directors' and Supervisors' Remuneration**

For details of the remuneration of Directors and Supervisors, see “Directors, Supervisors and Senior Management—Remuneration of the Directors, Supervisors and Senior Management” and Note 13 to “Appendix I—Accountant’s Report”.

### 3. Disclosure of interests

#### (a) *Interests and/or short positions of our Directors, Supervisors or chief executive officer in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions of our Directors, Supervisors and chief executive in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

#### (i) *Interest in Shares*

Name of Director, Supervisor or Chief Executive Officer	Nature of interest	Numbers of Shares Held or Interested	Approximate percentage of Shareholding following the completion of the Global Offering	
			Assuming the Over- allotment Option is not exercised	Assuming the Over- allotment Option is fully exercised
Mr. Xu Hui	Beneficial Interest	47,581,290	8.51%	8.41%
	Interest in controlled corporation	9,503,712	1.70%	1.68%
Mr. Wang Hua <sup>(1)</sup>	Interest held jointly with other persons	154,440,000	27.61%	27.29%

*Note:*

- (1) As of the Latest Practicable Date, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua and Ms. Tao Ning directly held 135,000,000, 8,640,000, 8,640,000 and 2,160,000 Shares in our Company, respectively. Pursuant to concert party arrangement, Sinovation Ventures, Sinovation Ventures Yucheng, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying formed our Single Largest Group of Shareholders. As such, each of Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the Shares held by other member of our Single Largest Group of Shareholders.

#### (ii) *Interest in Associated Corporations*

Name of Director, Supervisor or Chief Executive Officer	Name of Associated Corporations	Nature of Interest	Approximate Percentage
Mr. Wang Hua <sup>(1)</sup>	Sinovation Ventures	Interest held jointly with other persons	100%
	Sinovation Ventures Yucheng	Interest held jointly with other persons	100%

*Note:*

- (1) Pursuant to a concert party agreement, Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying jointly control Sinovation Ventures and Sinovation Ventures Yucheng. As such, each of Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying is deemed to be interested in the shares held by each other in Sinovation Ventures and Sinovation Ventures Yucheng.

Save as disclosed above, none of the Directors, Supervisors or the chief executive officer of the Company will, immediately following completion of the Global Offering, has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) *Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO***

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested 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 other member of our Group, see the section headed "Substantial Shareholders".

**4. Disclaimers**

- (a) Save as disclosed in the section headed "History and Corporate Structure," none of the Directors nor any of the experts referred to in "—Other Information—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) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in "—Other Information—Qualifications and Consents of Experts" below, 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.
- (c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.
- (d) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group;

**D. EMPLOYEE INCENTIVE SCHEME****(a) Background**

The Company has adopted an Employee Incentive Scheme by a resolution of our Shareholders on March 31, 2021 as an amendment, restatement and consolidation of the previous rounds of employee share incentive schemes adopted by the Company since 2018. As of the Latest Practicable Date, 88,271,298 Shares were held by the Employee Incentive Platforms, representing approximately 17.15% of the aggregate amount of the Shares in issue immediately before the completion of the Global Offering. The voting rights in our Company of each Employee Incentive Platform shall be exercised by its general partner pursuant to the partnership agreement. Each of the general partners of the Employee Incentive Platforms was appointed by the Administrator Mr. Xu Hui as part of the arrangement under the Employee Incentive Platforms in May 2021. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Incentive Scheme does not involve the grant of options by our Company to subscribe for new Shares.

**(b) Purposes of the Employee Incentive Scheme**

The purpose of the Employee Incentive Scheme is to incentivize the management team, retain talent and promote its long-term sustainable development.

**(c) Awards**

An award under the Employee Incentive Scheme (the “**Award(s)**”) gives a participant in the Employee Incentive Scheme a conditional right when granted the Award to obtain interests in the Employee Incentive Platform, as determined by Mr. Xu Hui, the Administrator of the Employee Incentive Scheme, who was appointed by the Company’s Shareholders Meeting on March 31, 2021, in his sole discretion.

**(d) Maximum number of Shares**

The number of Shares held by the Employee Incentive Platforms under the Employee Incentive Scheme is 88,271,298 Shares, representing approximately 17.15% of the aggregate amount of the Shares in issue immediately before the completion of the Global Offering and 15.78% of our total issued share capital immediately upon completion of the Global Offering assuming the Over-allotment Option is not exercised.

**(e) Participants**

Participants of the Employee Incentive Scheme (the “**Participants**”) are selected by the Administrator from management, officers and existing employees of the Company or any other member of the Group.

**(f) Term of the Scheme**

The provisions of the Employee Incentive Scheme shall in all aspects remain in full force and effect and all the Awards granted to the Participants under the Employee Incentive Scheme shall continue to be held by the Employee Incentive Platforms and become vested in the Participants according to the conditions of the Award, subject to the receipt by the Employee Incentive Platforms of the transfer documents prescribed by the Employee Incentive Platforms and duly executed by the Participants.

**(g) Grant and Acceptance of Award**

On and subject to the limitations and conditions of the Employee Incentive scheme, the Administrator shall be entitled at any time during the term of the Employee Incentive Scheme to make a grant to any Participant at his sole discretion. The number of Awards to be granted shall be determined at the sole and absolute discretion of the Administrator and may differ among selected Participants.

Awards may be granted on such terms and conditions (including a period of continued service within the Group after the Award) as the Administrator may deem appropriate in his absolute discretion. Notwithstanding any other provisions of the Employee Incentive Scheme, subject to applicable laws and regulations, the Administrator shall be at liberty to waive any grant conditions.

After the Administrator has decided to make a grant of Awards to any Participant, a grant notice (the “**Grant Notice**”) shall be sent to such Participant, setting out, among others, the number of Awards so granted and the conditions (if any) upon which such Awards were granted. The number of Awards specified in the Grant Notice shall constitute the definitive number of Awards being granted to such Participant.

A written acknowledgement of the Grant Notice shall be provided by the Participant for his/her acceptance of an Award.

**(h) Rights Attached to the Awards**

A Participant shall not have any interest or rights (including the right to receive dividends) in the Awards prior to the date on which an Award is vested on the Participant (the “**Vesting Date**”).

No instructions shall be given by a Participant (including, without limitation, voting rights) in respect of the Awards that have not been vested.

**(i) Awards to be personal to the Grantee**

Prior to the Vesting Date, any Award made under the Employee Incentive Scheme shall be personal to the Participant to whom it is made and shall not be assignable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to the Awards referable to him pursuant to such Award.

**(j) Repurchase of Award**

Any unvested Awards shall be unconditionally repurchased by a person or an entity the Administrator designated (the “**Designated Person**”) where such Participant’s employment or service with the Group is terminated for any reason.

The Designated Person is entitled to repurchase all vested and unvested Awards where such Participant’s employment or service with the Group is terminated for his misconduct.

If the Participant’s employment or service with the Group is terminated by reason of death or disability, (i) in the event of an unvested Award, it shall be unconditionally repurchased by the Designated Person; (ii) in the event of an Award vested on Mr. Xu Hui, our Director and Chief Executive Officer, a shareholders meeting is entitled to determining the disposal of such Award,



subject to arrangement under the Employee Incentive Scheme; (iii) in the event of an Award vested on Mr. Zou Quan, a director and the general manager of RewinCloud, shall be transferred to his legal personal representatives, subject to the terms and conditions set out in the Employee Incentive Scheme; and (iv) in the event of an Award vested on other Participant, the Designated Person is entitled to repurchase such Award subject to the terms and conditions set out in the Employee Incentive Scheme.

**(k) Takeovers and Mergers, Compromise or Arrangement and Voluntary Winding-up**

- (i) If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise prior to the vesting date, the adjustments, modifications or termination of outstanding Awards shall be determined by a shareholders meeting.
- (ii) If an effective resolution is passed during the Trust Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding Awards shall be canceled.

**(l) Amendment of the Employee Incentive Scheme**

The Employee Incentive Scheme may be amended in any respect by a resolution of the Shareholders' meeting.

**(m) Administration of the Employee Incentive Scheme**

The Scheme shall be subject to the administration of the Administrator in accordance with the rules of the Scheme, including the power to construe and interpret these Scheme Rules and the terms of the Awards granted under it.

**(n) Termination of the Employee Incentive Scheme**

The Employee Incentive Scheme will terminate on the earlier of:

- (i) the winding up of the Company; and
- (ii) such date of early termination as determined by the Shareholders' meeting,

provided that such termination shall not affect any subsisting rights of any Participant under the Employee Incentive Scheme.

**(o) Details of the Awards granted**

As of the Latest Practicable Date, an aggregate number of Shares underlying the Awards held by the Employee Incentive Platforms amounted to 88,264,098 Shares, representing approximately 17.15% of our Company's total issued share capital immediately prior to the Global Offering, had been granted to 112 Participants.

Other material information of the Awards granted pursuant to the Employee Incentive Scheme as of the Latest Practicable Date are set out as below:

- (i) Details of the Awards granted to Directors, Supervisors and connected persons of our Company:

<u>Grantee</u>	<u>Relationship with the Company</u>	<u>Number of Shares underlying the Awards held by the Employee Incentive Platform</u>	<u>Approximately shareholding percentage in the total issued Shares immediately prior to the Global Offering</u>
Mr. Zou Quan	A director of a subsidiary	13,525,884	2.63%
Mr. Zhang Fa'en	A director of a subsidiary	13,428,900	2.61%
Ms. Wang Jing	A former director	6,674,004	1.30%
Mr. He Tao	A director of a subsidiary	4,500,072	0.87%
Mr. Sun Peifeng	A supervisor of a subsidiary	1,440,036	0.28%
Mr. Huang Jiashui	A director of a subsidiary	430,448	0.08%
Ms. Wang Guanglan	General Manager of a subsidiary	910,247	0.18%
Mr. Zhang Zhiyong	A director of a subsidiary	360,000	0.07%
Mr. Xu Hui <sup>(1)</sup>	Executive Director	1,800	0.0003%

*Note:*

- (1) Mr. Xu Hui was granted 26,435,050 Awards. As part of the arrangement under the Employee Incentive Scheme, Mr. Xu Hui acquired a registered capital of RMB2,643,405 from Xinnuo Zhiqi and Qingdao Xinda in April 2021, which were equivalent to 26,434,050 Awards. As of the Latest Practicable Date, the Shares underlying the remaining 1,800 Awards of Mr. Xu Hui were held by Qingdao Xinda.

The Company will comply with Chapter 14A and other applicable rules under the Listing Rules in the event that any Awards are granted to the Directors after Listing.

- (ii) Our Company also granted 46,990,707 Awards to the other 100 grantees, representing approximately 9.13% of our Company's total issued share capital immediately prior to the Global Offering.

## **E. OTHER INFORMATION**

### **1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

### **2. Litigation**

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

### **3. Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, our Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

UBS Securities Hong Kong Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Hongxi Investment, Hongyue Investment, Honger Investment and Chuangzhi Fund will in aggregate hold approximately 16.71% of the total issued share capital of our Company as of the Latest Practicable Date. Each of Hongxi Investment, Hongyue Investment, Honger Investment and Chuangzhi Fund is regarded as a member of the sponsor group of China International Capital Corporation Hong Kong Securities Limited as defined under the Listing Rules. Accordingly, China International Capital Corporation Hong Kong Securities Limited do not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. See “History and Corporate Structure—Pre-IPO Investments—Information about the Pre-IPO Investors—CICC ALPHA” for details.

Since a director of the holding company of China Renaissance Securities (Hong Kong) Limited, and his/her close associate, are indirectly interested in no more than 3.73% of the total issued share capital of our Company as of the Latest Practicable Date through their interest in Huasheng Fund and Huaxing Zhihong, China Renaissance Securities (Hong Kong) Limited does not consider itself satisfy the independence criteria applicable to sponsors set out in Rule 3A.07(7) of the Listing Rules. See “History and Corporate Structure—Pre-IPO Investments—Information about the Pre-IPO Investors—China Renaissance” for details.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US\$500,000 to act as the sponsors of our Company in connection with the proposed listing on the Hong Kong Stock Exchange.

#### 4. Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
UBS Securities Hong Kong Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct 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) regulated activities under the SFO
China Renaissance Securities (Hong Kong) Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
King & Wood Mallesons	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**5. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**6. Bilingual Document**

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).

**7. Promoters**

The promoters of the Company are:

No.	Name
1.	Sinovation Ventures
2.	Mr. Xu Hui
3.	Xinnuo Zhiqi
4.	Chuangzhi Fund
5.	Qingdao Xinhui
6.	Hongxi Investment
7.	Huasheng Fund
8.	Sinovation Ventures Funds
9.	Chengwei Evergreen
10.	Hongyue Investment
11.	Honger Investment
12.	Qingdao Xinqi
13.	Qingdao Xinyun
14.	Innovation Ventures Yucheng
15.	Mr. Wang Hua
16.	Innovation Zhicheng
17.	Hainan Lanyue
18.	Guohe Fund II
19.	Yunhai Zhicheng
20.	Ronghui Capital
21.	Huaxing Zhihong
22.	Qingdao Xinda
23.	SAIF Haohai
24.	Jiaxing Yilang
25.	Ms. Tao Ning
26.	Huangshan SAIF
27.	Wufang Tianya
28.	Yinfeng Rongjin Finance
29.	Qianhai Puzheng

Within the two years immediately preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters

named above in connection with the Global Offering or the related transactions described in this prospectus.

#### **8. Compliance Adviser**

Our Company has appointed Somerley Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

#### **9. Preliminary Expenses**

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

#### **10. No Material Adverse Change**

The Directors confirm that there has been no material change in our financial or trading position since September 30, 2021.

#### **11. Miscellaneous**

- (a) Save as disclosed in “Changes in Share Capital” above, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (e) Save as disclosed in the paragraph headed “B. Further Information about our Business— 1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

- (f) Save as disclosed in this prospectus, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (g) Our Company has no outstanding convertible debt securities or debentures.
- (h) There is no arrangement under which future dividends are waived or agreed to be waived.
- (i) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (j) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of the **GREEN** Application Form;
- (ii) the written consents referred to under the paragraph headed “Statutory and General Information—E. Other Information—4. Qualifications and Consents of Experts” in Appendix VII to this prospectus; and
- (iii) copies of the material contracts referred to in the paragraph headed “Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in Appendix VII 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](http://www.hkexnews.hk) and our website at [www.ainnovation.com](http://www.ainnovation.com) during a period of 14 days from the date of this prospectus:

- (i) the Articles of Association;
- (ii) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (iii) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021;
- (iv) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (v) the letters from PricewaterhouseCoopers and the Joint Sponsors relating to the loss estimate, the texts of which are set out in Appendix III to this prospectus;
- (vi) the PRC legal opinions issued by King & Wood Mallesons, our legal advisors on PRC law, in respect of certain aspects of our Group;
- (vii) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation;
- (viii) the written consents referred to under the paragraph headed “Statutory and General Information—E. Other Information—4. Qualifications and Consents of Experts” in Appendix VII to this prospectus;
- (ix) the material contracts referred to in “Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in Appendix VII to this prospectus;
- (x) the service contracts referred to in “Statutory and General Information—C. Further Information about our Directors, Supervisors and Senior Management—1. Particulars of the Service Contracts” in Appendix VII to this prospectus;
- (xi) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this prospectus; and
- (xii) the Employee Incentive Scheme.





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