

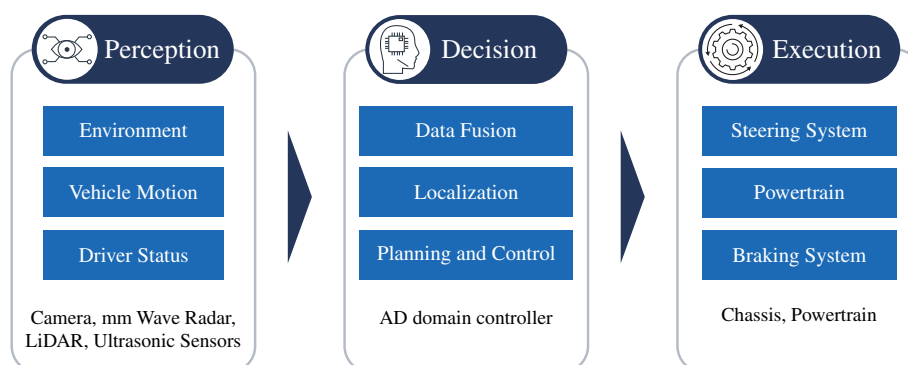
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### OVERVIEW

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

We have commercialized two AD domain controller product lines which support level 2 to level 2+ autonomous driving functions, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas. In addition to SuperVision™, we also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High. In terms of revenue generated from sales of AD domain controller solutions in 2022, we are the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%, according to Frost & Sullivan.

AD domain controllers function as the brain of autonomous driving solutions - fusing and processing data from the vehicle’s sensors to make autonomous driving decisions and trigger actuators in the vehicles. The diagram below illustrates the main components of an autonomous driving solution.



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We also offer iFC products to OEMs based on our core algorithms on a stand-alone basis without providing relevant implementation and installation services. Our iFC product, which incorporates a controller supported by a SoC and a camera, is able to independently realize level 2 autonomous driving functions.

We possess comprehensive R&D capabilities including self-developed algorithms and hardware-software co-design capabilities, and are able to capture the massive opportunities in the autonomous driving market. We are also capable of achieving the eventual level 4 commercialization, with (i) our comprehensive capabilities in hardware, software, algorithms, functions and cloud, (ii) our continued algorithm optimization based on years of experience in commercializing level 2+ solutions, and (iii) our stable relationship with OEM customers and strategic partners.

According to Frost & Sullivan, under the trends of vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain significant growth momentum in the future. The size of the autonomous driving market, including software and hardware for passenger and commercial vehicles as well as robotaxi services, is expected to reach more than RMB1,100 billion and RMB3,100 billion in China and globally, respectively, in 2035. Accordingly, the market for AD domain controllers is expected to grow rapidly in the near future. The market size for AD domain controllers in China was RMB9.8 billion in 2022, of which RMB3.3 billion was attributed to third-party AD domain controller providers. The market size for AD domain controllers in China is expected to grow to RMB64.5 billion in 2026, at a CAGR of 60.1% from 2022 to 2026. It is anticipated that third-party AD domain controller providers will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

During the Track Record Period, we generated most of our revenue from the sale of our autonomous driving solutions and products to automotive manufacturers (OEMs) and we delivered approximately 130 thousand units of AD domain controllers in total. Most of these were SuperVision™ supplied to Geely Group, which were based on Mobileye’s technology and the base version of AD domain controllers. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, who sourced or are expected to source AD domain controllers and iFC products from us. Obtaining a letter of nomination indicates that we are selected as a designated supplier for autonomous driving solutions and products for a particular vehicle model of an OEM customer, and are qualified to join an OEM’s supply chains for such particular vehicle model. However, there is no guarantee that our OEM customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination and no certainty of finalization of contract and such letter of nomination may be terminated. As of the Latest Practicable Date, to our knowledge, we were the sole suppliers for 16 of 17 projects in which we obtained letters of nomination for AD domain controllers, except in one case where, another autonomous driving solutions provider was engaged for lower-end versions of the vehicle model.

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Since 2018, we have established a strategic partnership with Mobileye, and Mobileye has become our key supplier who primarily supplied the base version of AD domain controllers for SuperVision™ to us. The AD domain controller solution we provided for ZEEKR 001 was one of the first applications in the industry equipped with Mobileye’s EyeQ®5H SoCs. The AD domain controller solution we provided for ZEEKR contributed to nil, 48.2%, 93.6% and 93.5% of our total revenue for the three years ended December 31, 2022, and six months ended June 30, 2023, respectively. For details, see “Business — Our Customers — Our Relationship with Geely Group” and “Business — Our Suppliers — Our Relationship with Mobileye.” We also collaborate with renowned upstream business partners, such as Renesas, Texas Instruments, and Sunny Optical, to deliver tailored solutions to our OEM customers.

Through our established and stable partnerships with high-profile business partners and extensive experience in series production of autonomous driving solutions and products, we are able to accurately and quickly assess the varying needs of our OEM customers and continue to expand our business relationships with OEMs. Meanwhile, as we continue to update our technologies and enhance our solutions and products, we can respond to market trends in a timely manner. Therefore, leveraging our experience in the commercialization of autonomous driving solutions and products and outstanding capabilities in series production, we believe that we are able to seize the growth opportunities in the industry.

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contributed to our historical success and will drive our future growth.

#### **A Tier 1 autonomous driving solution provider in China with competitive edge**

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+, and are developing level 2 to level 4, autonomous driving solutions for OEMs. In terms of revenue generated from sales of AD domain controller solutions in 2022, we are the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%. AD domain controller, which is a mission-critical component of autonomous driving below level 3, functions as the brain of autonomous driving solutions - fusing and processing data from the vehicle’s sensors to make autonomous driving decisions and trigger actuators in the vehicles. In addition, we have participated in multiple developmental milestones of the autonomous driving market in China. For example, we made significant contributions to the development of safety standards for autonomous driving in China, as we were invited to participate in the formulation of the Functional Safety National Standard and the Safety of the Intended Function National Standard. In particular, we made contributions to the establishment of the Functional Safety National Standard GB/T 34590:2022, which became effective on July 1, 2023, covering aspects of vehicle systems, hardware, software, and semiconductors.

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With the growing trends towards vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain fast growth momentum in the future. The size of the autonomous driving market, including software and hardware for passenger and commercial vehicles as well as robotaxi services, is expected to reach more than RMB1,100 billion and RMB3,100 billion in China and globally, respectively, in 2035. Furthermore, domain-centralized electrical/electronic architecture is becoming the mainstream in the automotive industry, in place of the distributed electrical/electronic architecture. Accordingly, the market for AD domain controllers is expected to grow rapidly in the near future. According to Frost & Sullivan, the market size for AD domain controllers in China was RMB9.8 billion in 2022, of which RMB3.3 billion was attributed to third-party AD domain controller providers. The market size for AD domain controllers in China is expected to grow to RMB64.5 billion in 2026, at a CAGR of 60.1% from 2022 to 2026. It is anticipated that third-party AD domain controller providers will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

We also benefit from favorable government policies for the autonomous driving market. From 2016 to 2022, the PRC government has issued a number of policies in support of the development of autonomous driving, including the 14th Five-Year Plan for the Development of National Strategic Emerging Industries (“十四五”國家戰略性新興產業發展規劃), the Outline of National Comprehensive Three-dimensional Transportation Network Planning (國家綜合立體交通網規劃綱要), and the Strategies for the Innovative Development of Intelligent Vehicles (智能汽車創新發展戰略).

The autonomous driving industry in China is expected to grow quickly as a result of the favorable government policies and the strong market demand. We believe we are able to fully capture the market potential and achieve sustainable significant growth in the future.

### **Advanced autonomous driving technologies**

Our comprehensive R&D capabilities, as highlighted in system design, as well as software and algorithm development, enable us to self-design and develop comprehensive autonomous driving solutions and products. With our proprietary algorithms, our solutions and products can realize a full suite of autonomous driving functions, such as navigate on autopilot (NoA) system for high-speed driving scenarios, home-zone parking assistance (HPA) and automatic parking assistance (APA) for low-speed scenarios, and low-speed level 4 autonomous driving functions in limited areas. Moreover, our self-developed graphics-rendering framework provides drivers with a 360-degree panoramic view in low-speed driving scenarios which provides superior user experience. Since 2017, we have completed a total of five R&D projects in relation to level 3 and level 4 autonomous driving, including two level 4 autonomous driving R&D projects. In the first instance, we created a prototype that can realize level 4 autonomous driving in predetermined urban areas. Additionally, we helped an OEM customer create a logistic vehicle model that can automatically travel between the OEM’s manufacturing facilities and warehouse. Our R&D capabilities on level 3 and level 4

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autonomous driving are also demonstrated by the number of our issued patents and patent applications. As of the Latest Practicable Date, we had 18 issued patents and eight patent applications related to level 3 and level 4 autonomous driving.

We believe our excellent autonomous driving technologies differentiate us from other autonomous driving solution providers in China, as highlighted by the following competitive advantages:

- *System design.* Our system design and development capabilities cover hardware, software and algorithms. We possess capabilities in sensor design, sensor and SoC driver development, middleware design and OTA updates. With our efficient and simplified systematic development model, we ensure on-time delivery of high-quality products to OEMs. As an example, we completed the development of iDC Mid, our cost-effective AD domain controller, which integrates driving, parking, surround view 3D (SV3D), HMI rendering and OTA functions, within approximately one year after receiving the OEM’s letter of nomination, as compared to the average industry duration of 12 to 24 months. Furthermore, the know-how we have gained during the development of iDC Mid also allows us to offer OEMs similar products in a relatively short timeframe.
- *Middleware.* Our self-developed middleware does not rely on any open-source framework and removes the communication barrier between embedded MCUs and SoCs, allowing zero-copy data sharing in heterogeneous systems which improves the performance of systems by eliminating intermediate buffers when transferring data. Through our self-developed middleware, we can deploy our software on different computing platforms and operating systems, enabling us to quickly adapt to the hardware of various OEMs, reducing the time and cost of system development and improving the adaptability and iterability of our solutions and products.

Leveraging our vision middleware, we can develop visual perception algorithms that are compatible with different computing platforms. It is optimized for time-consuming operations such as image exposure, image transformation, deep learning, and video rendering, therefore ensuring high performance in real-time image processing and reducing the system’s resource consumption.

- *Algorithms.* We have developed a set of algorithms for autonomous driving, as highlighted by our perception and vehicle localization algorithms. We use a multi-level data fusion approach in the development of visual perception algorithms. We employ CNN technologies to complete scene understanding tasks, and use the pre-processing and post-processing algorithms with high robustness for scene tracking, thus ensuring overall system stability. Meanwhile, we have implemented Transformer-based Bird-Eye View perception algorithms, which can perform real-time Bird-Eye View perception on automotive-grade chips, in our autonomous driving products. Transformer-based perception algorithms hold great potential for performance improvement. By employing continuous data feedback loops, these

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algorithms can effectively handle more complex autonomous driving scenarios, including urban areas. Furthermore, we are working with our business partners to customize the hardware acceleration framework for our own system so as to further improve the efficiency of algorithms.

Ultrasonic sensors (USS) can be engaged to enhance automatic parking functions as they can provide high-accuracy perception in low visibility situations, such as inclement weather condition. Our USS perception algorithms can help detect obstacles at a close distance at low speed. Our USS perception algorithms have been designed to be compatible with both the cost-effective AK1 ultrasonic sensors and the high-performance AK2 ultrasonic sensors, in order to meet different cost and performance requirements of OEMs. Our USS perception algorithms are designed to be compatible with mainstream sensor types and are already compatible with the latest generation of ultrasonic probe models. Additionally, we have the capability to continually iterate our USS perception algorithm to meet specific functional requirements and enhance the overall driving experience.

Moreover, to provide performance robustness under different environmental conditions, we developed a sensor fusion algorithm based on visual perception, USS perception and radar perception.

We have designed our vehicle localization algorithms to work on both open roads and in closed areas. On open roads, our vehicle localization algorithms utilize the feature point matching system and the inertial navigation system to provide a reliable localization output. Such localization algorithm does not rely on a high-precision integrated navigation system, so that it can reduce the overall cost of vehicles. For low-speed driving in closed areas, we have developed a set of simultaneous localization and mapping algorithms based on the fusion of semantic information and image features, which does not rely on navigation systems or inertial measurement units while still producing accurate vehicle localization output. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages. We are also developing simultaneous localization and mapping algorithms for open roads, aiming to resolve the limited and outdated map coverage issue of high-definition maps.

We are supported by an experienced R&D team. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. With past work experience in renowned companies in the autonomous driving industry, our R&D team possesses a deep understanding of the industry. Furthermore, we have been recognized as a 2022 Jiangsu Engineering Technology Research Center (2022年江蘇省工程技術研究中心) and a High and New Technology Enterprise (高新技術企業).

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We obtained ISO 21434:2021 CSMS Certification in August 2022 and ISO26262:2018 Functional Safety Management System ASIL-D in August 2021. In addition, we achieved Automotive SPICE Capability Level 2 certification in June 2021, which demonstrated our capabilities to develop embedded software-based systems within the automotive domain. Moreover, we have also established collaborative relationships with prestigious universities as well as industry-leading enterprises in the PRC and around the world.

### **Proven ability to commercialize autonomous driving solutions and products in large scale**

Our abilities to commercialize autonomous driving solutions and products and remain at the forefront of the industry are attributable to our in-depth understanding of market needs, remarkable engineering capabilities, and strong in-house production capabilities.

Adhering to a progressive market-oriented growth strategy that is continuously adapted to the changing needs of our OEM customers, we work closely with well-known domestic and international OEMs and became one of the few companies to achieve large-scale commercialization of autonomous driving solution in China, according to Frost & Sullivan. The penetration rate of autonomous driving for passenger vehicles in China is expected to increase from 31.5% in 2022 to 73.5% in 2026. In the near future, it is anticipated that level 2 autonomous driving will become a standard feature of almost all passenger vehicle models. By adopting a market-oriented approach, we continuously communicate with OEM customers to quickly respond to end users’ feedback and enhance user experience. Empowered by our advanced over-the-air (OTA) technology, we are able to continuously provide better autonomous driving function experiences to our OEM customers and end users. Moreover, we have accumulated know-how for more advanced level 3 / level 4 autonomous driving solutions.

We possess advanced engineering capabilities. Leveraging our self-developed middleware, algorithm, comprehensive product matrix and extensive experience in the development of autonomous driving solutions and products, we adopt a modular approach in product development. We are therefore able to respond quickly to the diverse needs of OEM customers based on different vehicle models. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, which indicated that we were selected as a designated supplier for autonomous driving solutions and products, and were qualified to join the OEMs’ supply chains. During the Track Record Period, we delivered approximately 130 thousand units of AD domain controllers in total.

With our efficient in-house production capabilities and comprehensive experience in production, we can meet OEMs’ scalable delivery requirements while maintaining a high level of product quality and cost efficiency. Leveraging our in-house production line, we are able to produce prototypes in a timely manner, improving the efficiency of our R&D activities. We implement a design-for-manufacturing process to refine, simplify and optimize the product design for ease of manufacturing and ultimately provide a better product at a more competitive cost. We can deliver products that meet OEMs’ needs in a timely and consistent manner through our standard and automated manufacturing process.

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### **Comprehensive autonomous driving solution and product portfolio covering a wide price range of vehicles**

We provide two AD domain controller product lines. We act as the system integrator in SuperVision™ projects, which is based on Mobileye’s technology including the base version of AD domain controllers acquired from Mobileye. We also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High. In addition, we provide self-designed and self-developed iFC products. Our solutions and products support level 2 to level 2+ autonomous driving, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas. Furthermore, we conduct software iterations via OTA updates throughout the whole lifecycle of our solutions and products, to continuously provide OEMs and drivers with up-to-date autonomous driving functions and improve user experience.

We believe that our solutions and products have the following advantages:

- *SuperVision™*. We acquire the base version of AD domain controllers from Mobileye and then integrate licensed software developed by Mobileye, which is not based on our proprietary algorithm, with the hardware parts, transforming the base version of AD domain controllers into a fully-functional AD domain controller tailored to the unique requirements of a vehicle model. SuperVision™ is a fully operational point-to-point assisted driving navigation solution on various road types and includes cloud-based enhancements and supports OTA updates subject to the system’s operational domain design (ODD). Equipped with 11 cameras powered by two Mobileye’s EyeQ®5H SoCs, SuperVision™ has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering driving scenarios in its defined ODD. SuperVision™ meets the specific needs of premium intelligent vehicle models of our OEM customers, equipping them with a distinctive advantage to compete on the global market. SuperVision™ can achieve level 2+ autonomous driving. The series production of SuperVision™ under our project in collaboration with Mobileye for ZEEKR 001 commenced in October 2021. After the commencement of sales, our work in the SuperVision™ projects is primarily focused on (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery.
- *iDC Series*. The iDC series is our self-developed AD domain controller product line. Compared to the typical architecture that includes both SoC and microcontroller (MCU), we creatively developed an advanced software architecture for our iDC series that integrates high-speed driving functions and low-speed parking functions into one SoC only, enabling product cost reduction and system efficiency enhancement. iDC Mid, which started series production in January 2023, is a cost-effective solution targeting the mid- to high- end vehicle market that can achieve level 2+ autonomous driving. Empowered by our flexible system



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architecture, iDC Mid offers exceptional adaptability, allowing it to be used on a variety of vehicle models of our OEM customers. Our proprietary algorithms enable iDC Mid to integrate Highway NoA, HPA, APA, SV3D, safety assistance, and other driver assistance functions.

We expect the series production of iDC High, an enhanced version of iDC Mid that can achieve level 2+ autonomous driving, to start in 2024. The upcoming iDC High will have a higher computing power and enhanced sensor configuration, compared to iDC Mid. It will be able to support a full-scenario intelligent driving experience. Designed for mid- to high- end vehicles, iDC High will include all autonomous driving functions of iDC Mid. In addition, it will include more advanced autonomous driving functions, such as Urban NoA, and more advanced parking functions to cover more scenarios.

- *iFC Series*. Our iFC series is a budget solution for level 2 autonomous driving that includes both comfort functions (such as lane centering control (LCC) and adaptive cruise control (ACC)) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)). iFC 2.0 has started series production in August 2021 and can meet C-NCAP and EURO-NCAP 2023 5-star safety standards as well as GSR regulatory standards. We plan to launch the iFC 3.0 solution in 2024, which is targeted to meet future C-NCAP and EURO-NCAP 5-star safety standards. Due to its enhanced perception capabilities, more compact size, and enhanced function extension capabilities, our iFC 3.0 is expected to meet the upgrading needs of our OEM customers.

Compared with other competing solutions and products in the similar price range, we believe that our solutions and products are superior in terms of functionality and performance.

### **Well-established partnerships with industry leaders**

Our well-established partnerships with leaders in the autonomous driving industry contributes to our significant and sustainable business growth.

We have established stable collaborations with top-tier domestic and international OEMs. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, which indicated that we were selected as a designated supplier for autonomous driving solutions and products, and were qualified to join the OEMs’ supply chains. As of the Latest Practicable Date, we were able to carry out vast majority of the projects for which we received the letters of nomination.

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In particular, as the core supplier of AD domain controllers, we have established a close partnership with Geely Group since 2020. We are the sole supplier of AD domain controllers for premium vehicles (with selling prices above RMB300,000) that are currently in series production under the ZEEKR brand of Geely Group in the PRC. According to Frost & Sullivan, ZEEKR 001 ranked the second in premium electric vehicles in China in terms of sales volume in 2022 and is the only Chinese premium pure electric model in the monthly 10k units sales club. Having been recognized by Geely Group for our superior autonomous driving solutions, we were selected as the supplier of autonomous driving solution for ZEEKR 009, which started series production in January 2023. Meanwhile, we are actively expanding into international markets by cooperating with domestic OEMs that have overseas strategies, such as Chery, which ranked the second in terms of volume of vehicle exports among Chinese OEMs in 2022, according to Frost & Sullivan.

We also collaborate with renowned upstream business partners, such as Mobileye, Renesas, Texas Instruments and Sunny Optical, to deliver tailored solutions to our OEM customers. Leveraging our extensive experience in cooperating with OEMs, and due to our deep understanding of the autonomous driving industry in China and proven track record for commercialization of autonomous driving solutions and products, we have become a preferred business partner of upstream suppliers in their market expansion processes. For example, we have established a strategic partnership with Mobileye since 2018. We cooperated with Mobileye to provide SuperVision™ for ZEEKR 001, which was one of the first applications in the industry equipped with Mobileye’s EyeQ®5H SoCs.

As a result of our collaborations with renowned business partners in upstream and downstream areas, we believe we have become one of the few companies that understands both the evolving needs of downstream OEMs and the underlying technologies adopted by upstream suppliers. Taking advantage of such collaborations, we are able to develop autonomous driving solutions and products based on the latest SoCs, enabling comprehensive autonomous driving functions along with cost efficiency, thereby providing a high-quality user experience.

### **Experienced management team supported by renowned shareholders**

We are led by our visionary founder, Mr. SONG Yang, who has extensive experience in the autonomous driving industry. Mr. SONG is primarily responsible for the overall strategic planning and business direction of our Group. He has almost 20 years of experience in the automotive industry and over ten years of experience in the autonomous driving industry, as well as abundant experience in corporate management. From September 2014 to October 2016, Mr. SONG was the general manager at KSS Automotive Active Safety System (Suzhou) Co., Ltd. (百利得汽車主動安全系統(蘇州)有限公司). During his tenure at KSS Automotive, Mr. SONG led the formation of its China presence and the active safety division, and was responsible for the overall strategic planning and business growth in the PRC. Our chief technology officer, Mr. LU Yukun, who is responsible for the overall technology strategy and the R&D of the technology infrastructure of our Group, has over 17 years of R&D experience in the automotive industry and over ten years of experience in the autonomous driving industry and specifically has strong technical knowledge and skills in autonomous driving. Prior to

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joining our Company, Mr. LU Yukun served as R&D Manager at Bosch Automotive and KSS Automotive, respectively, and as Deputy Director of Innovation and New Ventures for Asia Pacific at Nexteer Automotive (Suzhou) Co. Ltd.

We have assembled a senior management team with extensive experience in the industry and in R&D. With an average of 14 years of industry experience, a majority of our senior management have been leading our rapid growth since our inception. In line with our vision of satisfying OEM customers’ needs with technology innovations, we have successfully developed comprehensive in-house R&D and engineering capabilities. To achieve future success in the autonomous driving market, we seek to leverage our management team’s extensive industry experience and proven track record, as well as our abundant talent pool and mature talent development track.

In addition, our shareholders have consistently supported the growth of our business. We have a wide range of outstanding shareholders, including professional financial investment institutions such as Yangfan Zhiyuan, state-owned shareholders such as Mixed Reform Fund, and several well-known strategic partners in the industry such as HL Klemove and Li Auto.

### OUR STRATEGIES

We plan to implement the following strategies:

#### **Continue to pioneer the large-scale commercialization of autonomous driving solutions and products**

We will continue to provide a full suite of autonomous driving solutions and products with a focus on AD domain controllers. Our solution and product matrix will be further enhanced to cover all driving scenarios. We will focus on expanding our current product lines and developing and commercializing more autonomous driving solutions and products over the next five years.

- *SuperVision™*. With Mobileye, we are expanding our collaboration with Geely Group. Two additional brands under Geely Group, Polestar and Smart, are expected to launch SuperVision™ globally in one of their upcoming electric vehicle models, beginning in 2023. In January 2023, we entered into a framework contract with an affiliate of Geely Group in connection with a project to supply SuperVision™ in one of Polestar’s upcoming vehicle models. Series production of such vehicle model of Polestar is anticipated to begin in December 2023, and its export to the EU and the US is anticipated to begin as early as 2024. In addition to Geely Group, we are also exploring cooperation opportunities with major domestic OEMs for adoption of SuperVision™ as an advanced driving solution across multiple vehicle models.

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- *iDC Series.* We expect to further develop our iDC series leveraging our excellent system integration capabilities to provide OEM customers with high-quality autonomous driving functions at a competitive price. In particular, we plan to add more autonomous driving functions to the iDC Mid through OTA updates. Moreover, we expect to launch our iDC High solutions in 2024. Leveraging the combined synergies between high computing power provided by the V4H SoCs of Renesas and our proprietary algorithms embedded in iDC High, we believe that iDC High will have better visual perception capabilities as compared to iDC Mid, enabling Urban NoA and providing more advanced parking functions covering more scenarios.
- *iFC Series.* We will further expand the iFC series and introduce new products with more functions. In particular, we expect to launch iFC 3.0 in 2024, which is expected to integrate Mobileye’s next generation EyeQ®6L SoC.

In addition, we will endeavor to commercialize more advanced autonomous driving solutions and products and expand our solution and product mix.

We will continue to expand our in-house manufacturing capacity to reinforce our business expansion. We plan to (i) set up new automatic assembly line for iFC products by the end of 2023, which will have an annual production capacity of approximately 1,000,000 units (based on two shifts with 22 working hours per day and 26 working days per month), (ii) enhance our newly-added test line, which can be used to assemble AD domain controllers and is expected to have an annual production capacity of approximately 300,000 units (based on one shift with 11 working hours per day and 250 working days per year); and (iii) a new SMT line with an annual production capacity of approximately 600,000 to 700,000 units (based on two shifts with 22 working hours in aggregate per day and 26 working days per month).

By utilizing our technological advantages and extensive experience in innovating autonomous driving solutions and products that integrate both driving and parking assistant functions, we expect to launch more cost-effective solutions and products and accelerate the commercialization process of our solutions and products. For example, by leveraging cost-efficient domestic supply chain and the economies of scale brought by our increased capacity, we were able to successfully lower the manufacturing cost of iFC 2.0.

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### **Increase our investment in R&D to solidify our leading position and prepare for commercialization of level 4 autonomous driving**

We are dedicated to the R&D of autonomous driving solutions and products to strengthen our technological advantages.

- *Optimize the algorithms.* We will continue to invest in improving our comprehensive and advanced autonomous driving algorithms. Our primary focus will be on: (i) enhancing the algorithms and introducing more advanced algorithm models; (ii) integrating high-performance sensors and upgrading sensor configuration, to expand driving scenario coverage and increase algorithm accuracy; and (iii) continuously enhancing our data capabilities to improve functionalities of our autonomous driving solutions and products.
- *Enhance our self-developed middleware.* We will also focus on improving our self-developed middleware, which will be applied to all our product lines. We intend to further develop our middleware to make our own technology infrastructure more automatic and programmatic, allowing us to connect our solutions with different vehicle operating systems of our OEM customers more seamlessly. Furthermore, we intend to make our middleware’s modeling environment more user-friendly, allowing it to be used by more third-party developers.
- *Upgrade hardware designs.* As an increasing number of our autonomous driving solutions and products have started series production, we will continue to optimize the hardware design from electronic, mechanical and optical perspectives to enhance our competitiveness. In addition, we will collaborate with our business partners to continuously improve hardware frameworks that are compatible with our algorithm iterations, in order to achieve a seamless integration of hardware and software.

We are committed to the commercialization of level 2+ and higher-level autonomous driving solutions. We believe our comprehensive R&D capabilities developed in this process will best position us in the industry for the successful commercialization of level 4 autonomous driving solutions in the future (expected to come in more than five years). To prepare for commercialization of level 4 autonomous driving solutions, we have adopted a three-pronged approach:

- *Comprehensive R&D capabilities.* We have strong R&D capabilities in hardware, software, algorithms, functions, and cloud-based data loop, backed by our current large-scale commercialization. In the future, in order to best position ourselves for the commercialization of level 4 autonomous driving solutions, we will continuously iterate our algorithms with experience accumulated in the large-scale commercialization. Furthermore, we believe our self-developed modular software, hardware, and middleware will enable our seamless transition to level 4 autonomous driving;

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- *Algorithm iteration.* We recognize the importance of data accumulation in enhancing and refining our autonomous driving algorithms. As we continue to deploy level 2+ autonomous driving solutions and products, we will experience explosive data accumulation that enables accelerated coverage of long-tail scenarios required for level 4 autonomous driving. We consider the vast amount of real-world driving data will be invaluable in training and perfecting our level 4 autonomous driving algorithms. Additionally, we are committed to making significant improvements in data processing and storage capabilities, ensuring that we can effectively manage and utilize the ever-growing datasets. This data-driven approach will enable us to rapidly improve our technology; and
- *Relationship with OEM customers and strategic partners.* We believe in fostering strong relationships with OEM customers and strategic partners, as they are crucial for the widespread adoption and success of our level 4 autonomous driving solutions. Our partnerships with OEMs will enable us to integrate our autonomous driving technologies into a wide variety of vehicle models, while our strategic alliances will provide access to resources, expertise, and market opportunities that are essential for the rapid and effective commercialization of level 4 autonomous driving solutions. We cooperated with certain of our OEM customers on the level 4 autonomous driving technology feasible tests.

Additionally, we plan to invest in R&D of integrated cockpit-driving platform, which we anticipate will reach series production in the next two to three years. Moreover, we will further engage in R&D of the vehicle central computer, which, as a controller for the entire vehicle, connects all subsystems including the powertrain and chassis.

To support our R&D strategy, we will continue to increase our investment in computing resources, servers, and data processing capabilities. We intend to enhance our high-performance data management systems as well as data processing and training clusters. We believe the high-performance data management system will benefit us primarily in the following aspects: (i) it can enhance our data analytic efficiency, which is crucial for the development and constant improvement of autonomous driving algorithms. A high-performance data management system can quickly process large datasets, enabling faster algorithm iteration; (ii) it can improve our data privacy and security. Our OEM customers own the data collected by them and may transmit it to us for OTA updates or product maintenance in the future. We will have the authorization to use desensitized and anonymized data for research and development of our autonomous driving solutions and products. A high-performance data management system can help improve data security and privacy by implementing measures to protect against unauthorized access while also adhering to industry regulations and addressing privacy concerns; and (iii) by optimizing data management, processing, and analysis, a high-performance data management system can help control the overall costs associated with data management, enabling us to allocate resources to other critical aspects of our business. Therefore, we plan to gradually expand our R&D team. In addition, we expect to complete the construction of our R&D headquarters and manufacturing premises with a total of 70,000 sq.m. in Suzhou by the end of 2025.

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### **Continue to deepen, expand, and diversify our OEM customer base**

We are committed to deepening our partnership with various industry-leading OEMs, including Geely, Great Wall Motor, Chery, and Dongfeng. From 2023 to 2025, we aim to achieve series production of our autonomous driving solutions and products in a number of new vehicle models in China and globally. In particular, we endeavor to extend our cooperation with existing OEM customers to their new vehicle models. For example, we deployed our autonomous driving solution on the ZEEKR 009 of Geely Group, a new model of vehicle that started series production in January 2023, after our successful cooperation on the ZEEKR 001.

We will identify key potential OEM customers based on our product roadmaps and continue to increase the size of our sales and marketing teams. For certain potential OEM customers, we will assemble a team of experienced employees from sales, project management, and R&D departments, who will proactively communicate with potential OEM customers at an early stage of the project development process to explore future opportunities for cooperation. We also plan to assist potential OEM customers in the R&D and testing of new products and functions to showcase our autonomous driving capabilities. In addition, we plan to engage in a variety of marketing activities to introduce our solutions and products to OEM customers. For example, we intend to organize offline technology events and attend more industry exhibitions to promote our solutions and products. Furthermore, we will work with our strategic business partners to expand our OEM customer base.

### **Enhance our value chain integration capabilities**

To ensure a steady supply of automotive-grade chips, we will continue to cooperate with first-class SoC manufacturers. On the one hand, we will further deepen our cooperation with our current suppliers, such as Mobileye, Renesas, and Texas Instruments. On the other hand, we also intend to establish cooperation with other industry-leading SoC suppliers, particularly domestic automotive-grade SoCs manufacturers. We anticipate that our iDC High embedded with the Renesas V4H SoC will enter series production in 2024.

At the same time, we intend to strengthen our cooperation with suppliers of camera module, millimeter wave radar, ultrasonic sensors and LiDAR. We intend to develop a long-term and stable modular solution for sensors in order to shorten the development cycle and improve the adaptability of our solutions. To provide diversified options for our OEM customers, we will continue to cooperate with renowned manufacturers globally in the future.

We are committed to increasing our participation in the industry chain. To achieve this goal, we will explore opportunities for joint development of AD domain controller architecture, hardware, algorithms, and functions with downstream OEMs. In addition, we intend to strengthen our vertical integration through mergers and acquisitions of high-quality companies that create synergies, such as manufacturers of sensors and other AD domain controller components. As of the Latest Practicable Date, we had not identified any specific acquisition target.

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We also plan to strengthen our relationship with our strategic shareholders. Furthermore, we will collaborate in the areas of hardware, software and algorithm development, to jointly develop competitive autonomous driving solutions and products that will leverage our respective product and technology advantages.

### **Build an international brand with a global presence**

In accordance with our overseas expansion strategy, we will work with OEMs in China to adapt our solutions and products to their vehicle models to be exported overseas. For example, ZEEKR 001 (European version), a vehicle model embedded with our solutions and products, has achieved series production in August 2023 and is expected to be exported to Europe in 2023. Furthermore, we are the supplier for autonomous driving solutions of Chery’s EXEED Lanyue (星途攬月) and EXEED Lingyun (星途凌雲) models, which have our iDC Mid integrated. Both Chery’s vehicle models are expected to be exported overseas in the second half of 2023. Furthermore, we received two letters of nomination from Chery in June and August 2023, respectively, for the development of autonomous driving solutions on its upcoming vehicle models. We will also gradually expand our OEM customer base to cover overseas OEMs. Several overseas OEMs that deploy SuperVision™ provided by us, such as Polestar, have begun installing our autonomous driving solutions and products on their upcoming vehicles. In January 2023, we entered into a framework contract with an affiliate of Geely Group in connection with a project to supply SuperVision™ in one of Polestar’s upcoming vehicle models. Series production of such vehicle model of Polestar is anticipated to begin in December 2023, and its export to the EU and the US is anticipated to begin as early as 2024.

Our global presence will be further enhanced by the establishment of a subsidiary in Germany in the near future, which is in line with our overseas strategy to explore the European market. We expect that our German subsidiary will be responsible for customer service, sales, and validation of autonomous driving solutions and products in relation to our business in Europe. Additionally, we intend to establish an overseas R&D center in Germany within the next three to five years. We anticipate that our subsidiary and R&D center in Germany, located in Europe’s automotive OEM hub, will be able to attract talent in the automotive and autonomous driving industries, facilitating our business expansion in Europe. Our subsidiary and R&D center in Germany are expect to focus on two aspects of work: (i) providing services for domestic OEMs as they expand overseas; and (ii) establishing our own service point in Europe to develop business. As of the Latest Practicable Date, we submitted applications to the competent authorities for the establishment of the subsidiary, and we expect to receive approval within 2023. We have begun the preliminary preparations for setting up the subsidiary, including hiring relevant R&D personnel. Our future plans will depend on the regulatory approval situation. In addition, through the resources provided by our strategic overseas shareholders, including HL Klemove, we will be able to explore new business opportunities abroad and establish more international strategic alliances.



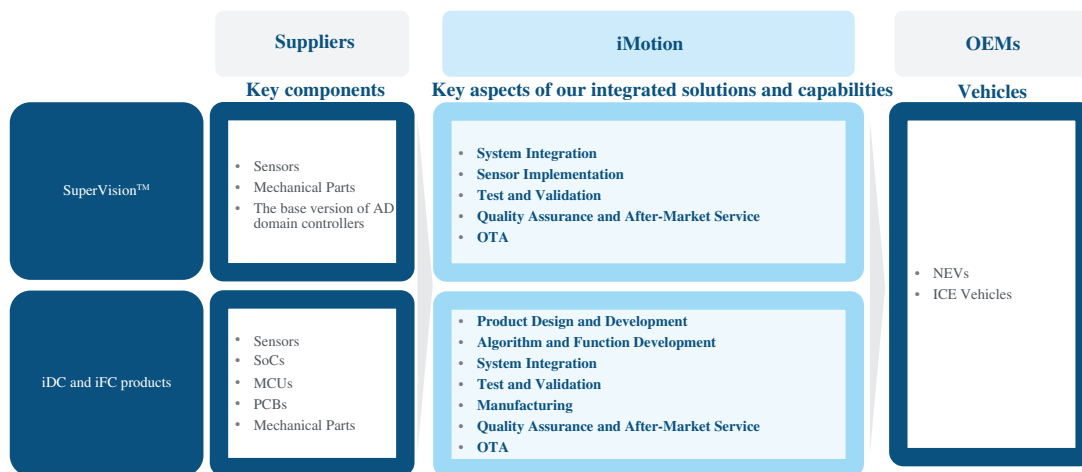
## BUSINESS

### OUR BUSINESS MODEL

During the Track Record Period, we generated most of our revenue from the sales of our autonomous driving solutions and products to automotive manufacturers (OEMs) (or in respect of certain vehicle models, an affiliate of the relevant OEM). We develop autonomous driving solutions and products for OEMs leveraging our core vertically integrated competencies in product design and development, algorithm and function development, system integration and manufacturing, among others. Our solutions and products for autonomous driving can be installed on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles, and are capable of realizing comprehensive autonomous driving functions.

During the Track Record Period, we also generated revenue from (i) R&D services provided to OEMs in assistance of their autonomous driving projects, and (ii) the sales of PCBA products to third parties. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. With respect to our sales of PCBA products to third parties, we mount different electronic components on the PCB, such as SoCs, resistors, capacitors, and transmitters based on our customers’ specifications to prepare fully usable circuit boards. We do not consider the sales of PCBA products to third parties as our core business and plan to gradually wind down sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving solutions and products.

The process of provision of our autonomous driving solutions is illustrated as follows:



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Our suppliers provide us with components of our solutions and products in accordance with our specific needs. We procure from the suppliers for standard electronic components like SoCs, MCUs, integrated circuits, resistors, capacitors, inductors, and connectors that can meet our specifications. Additionally, we entrust some suppliers to manufacture certain parts used in our products and solutions, including PCBs, housings, and camera modules, in accordance with our designs. Regarding SuperVision™, we procure from Mobileye the base version of AD domain controllers. However, for our self-developed iDC and iFC products, we are responsible for product design and development, algorithm and function development, as well as manufacturing.

The table below sets forth a breakdown of our revenue by business line both in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,						
	2020	2021	2022	2022	2023					
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving solutions and products										
— AD domain controller solutions	—	—	86,010	48.2%	1,249,834	94.3%	335,959	93.5%	515,535	94.9%
— ZEEKR	—	—	86,010	48.2%	1,240,400	93.6%	333,614	92.9%	507,671	93.5%
— Smart	—	—	—	—	1,489	0.1%	1,059	0.3%	43	0.0%
— Polestar <sup>(1)</sup>	—	—	—	—	—	—	—	—	1,075	0.2%
— Chery	—	—	—	—	—	—	—	—	3,710	0.7%
— Others <sup>(2)</sup>	—	—	—	—	7,945	0.6%	1,286	0.3%	3,036	0.5%
— Intelligent front cameras	440	0.9%	144	0.1%	3,115	0.2%	796	0.3%	5,321	1.0%
<i>Subtotal</i>	<i>440</i>	<i>0.9%</i>	<i>86,154</i>	<i>48.3%</i>	<i>1,252,949</i>	<i>94.5%</i>	<i>336,755</i>	<i>93.8%</i>	<i>520,856</i>	<i>95.9%</i>
Autonomous driving-related R&D services	4,826	10.1%	34,503	19.4%	37,956	2.9%	5,460	1.5%	12,083	2.2%
Sales of PCBA products	42,389	89.0%	57,601	32.3%	34,977	2.6%	16,956	4.7%	10,273	1.9%
<b>Total</b>	<b>47,655</b>	<b>100.0%</b>	<b>178,258</b>	<b>100.0%</b>	<b>1,325,882</b>	<b>100.0%</b>	<b>359,171</b>	<b>100.0%</b>	<b>543,212</b>	<b>100.0%</b>

*Note:*

- (1) The sales to Polestar were made through an affiliate of Geely Group.
- (2) The amount represents revenue from (i) sales of AD domain controller solutions to be installed on certain vehicle models which have discontinued or suspended sales and (ii) sales of materials and sample products unrelated to a specific vehicle model.

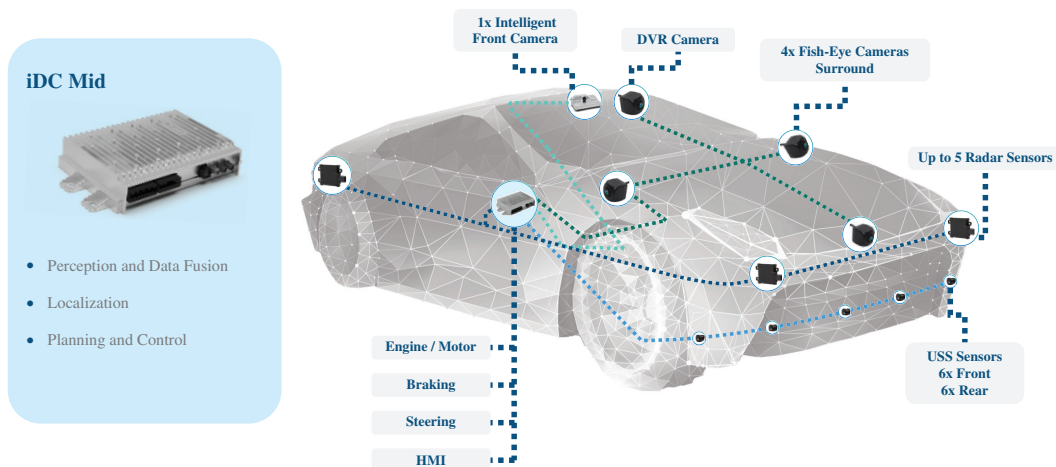
## BUSINESS

### OUR AUTONOMOUS DRIVING SOLUTIONS AND PRODUCTS

#### Overview of Our Autonomous Driving Solutions and Products

Autonomous driving solutions and products are equipped in vehicles that aim to reduce manual operation and increase driving safety. Based on different levels of automation, autonomous driving solutions are categorized as advanced driver assistance system (ADAS) solutions and automated driving system (ADS) solutions. ADAS solutions can achieve different functions from basic safety warnings to active vehicles control, such as LCC and ACC, but still require human intervention from time to time. ADS solutions are more advanced as it can automatically control the operations of vehicles. Ultimately, vehicles that are equipped with ADS solutions will require little or even no human intervention. Currently, ADAS is the most advanced autonomous driving solution widely available in passenger vehicles sold today, while ADS solutions have not been commercialized in passenger vehicles in large scale.

Autonomous driving solutions are enabled by AD domain controller and a number of sensors connected to it, including camera, radar, ultrasonic sensors and LiDAR. AD domain controllers are essential to the successful operation of autonomous driving solutions. All information collected from various sensors is aggregated and analyzed by the AD domain controller, which then generates a complete model of the operating environment, makes driving decisions, triggers actuators, such as engine or motor, braking and steering, and provides interactive information to drivers through HMI in the vehicles. By using algorithms embedded in the AD domain controller, autonomous driving solutions can provide users with a number of autonomous driving functions. The following diagram sets forth the basic components in an autonomous driving solution, using iDC Mid, one of our self-developed autonomous driving solutions, as an example:



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During the development of autonomous driving solutions, we determine the specification of sensors used in our autonomous driving solutions as well as their layout and positioning. We connect different sensors to our AD domain controller products and create a centralized architecture through rounds of testing and developments in order to achieve autonomous driving functions. Additionally, we are responsible for integrating our autonomous driving solutions with other subsystems in the vehicle.

Due to the fact that other vehicle subsystems are developed by different suppliers or OEMs, extensive work and technology are required to ensure seamless interactions among all vehicle subsystems, which primarily include:

- *Verifying that our products and all the sensors that constitute our solutions are physically well integrated within vehicle environment.* We collaborate with OEMs in determining the mounting position for our products, checking that it complies with standards for heat dissipation, waterproofness, dustproofness, vibration, and electromagnetic compatibility, among others. We also check whether it will interfere with nearby components. For sensors, we must also determine the mounting position according to the required height and angle, and examine whether the view will be obstructed or influenced by other components or glare caused by light sources.
- *Making sure that our products are electrically connected to the vehicle network and partner controllers in the vehicle.* We have to ascertain the communication protocols and signal interactions between AD domain controllers with other controllers in the vehicles, as well as the accuracy and effectiveness of the sensor data transmission to the AD domain controller.
- *Ensuring that our products meet the OEM customer's functional requirements.* We verify that the partner controllers react appropriately to signals received from the AD domain controller. For instance, if a collision hazard is detected and the AD domain controller sends an AEB trigger signal, it is necessary to verify that (i) the seat belt is automatically fastened, (ii) the vehicle sends visible and audible warnings, and (iii) the brakes are properly applied.

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The following table sets for a breakdown of our revenue generated from autonomous driving solutions and products by product line for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Autonomous driving solutions and products					
— SuperVision™	—	86,010	1,248,795	335,959	510,225
— iDC Mid	—	—	441	—	2,573
— iFC 2.0	440	144	3,115	796	5,321
— Others <sup>(1)</sup>	—	—	598	—	2,737
<b>Total</b>	<b>440</b>	<b>86,154</b>	<b>1,252,949</b>	<b>336,755</b>	<b>520,856</b>

*Note:*

- (1) Representing sales of complementary products alongside the main products, and materials unrelated to a specific vehicle model.

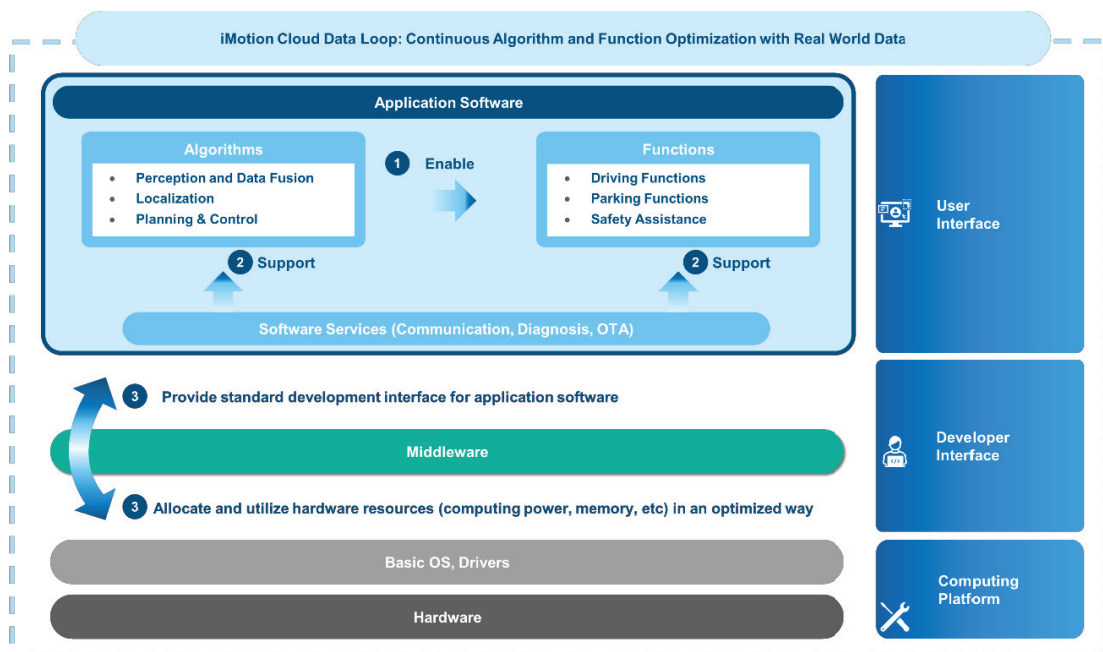
### Our Autonomous Driving Solution and Product Offerings

We offer various autonomous driving solutions and products, which include AD domain controllers and iFC products. With respect to AD domain controllers, we generated a significant portion of revenue from SuperVision™ during the Track Record Period, which were based on Mobileye’s technology and the base version of AD domain controllers. We acquire the base version of AD domain controllers from Mobileye, and then integrate the licensed software developed by Mobileye, with the hardware components, resulting in a fully-functional AD domain controller customized to meet the specific requirements of each vehicle model. In addition, we also supplied our self-developed iDC series to OEM customers. We provide automotive manufacturers (OEMs) with various AD domain controllers adapted to their different costs and technical requirements. Our autonomous driving solutions typically include (i) an AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) the integrated hardware, software, and algorithm solutions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation. Our customers may procure sensors themselves. In such case we do not provide sensor implementation or integration services and instead we only provide a limited number of services focusing on autonomous driving function testing and validation. An AD domain controller functions as the brain in autonomous driving solutions, fusing and processing data from sensors to make driving decisions and trigger actuators in the vehicles.

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We also offer iFC products to OEMs based on our core algorithms on a stand-alone basis without providing relevant implementation and installation services. Our iFC product, which incorporates a controller supported by a SoC and a camera, is able to independently realize level 2 autonomous driving functions. The iFC products can also be used as a smart sensor in an autonomous driving solution powered by an AD domain controller, such as the iDC Mid solution, in order to provide more autonomous driving functions.


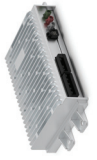


We integrate both hardware and software into our autonomous driving solutions and products. Leveraging our superior software-hardware co-design capabilities, we develop proprietary middleware that can be used as a bridge to connect software with the underlying hardware. We develop algorithms to enable different autonomous driving functions and provide OEMs with comprehensive services such as system diagnosis and OTA updates. The following chart indicates the structure and components of our autonomous driving solutions and products.



- 1 Our different algorithms enables our functions respectively
- 2 We provide services such as diagnosis to continually monitor system status, and upgrade our functions through OTA
- 3 Our middleware acts as a bridge between software and basic software/hardware, allocate and utilize hardware resources (computer power, memory, etc) in an optimized way, and also provides standard development interfaces for application software, which helps our engineers focus on software development and deployment without considering the details of different hardware and operating systems.

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Certain characteristics of our primary autonomous driving solutions and products are presented in the table below:

		AD Domain Controllers		
	SuperVision™	iDC Mid	iDC High	iFC products
				
<b>Start of Production</b>	October 2021	January 2023	2024 (Expected)	2024 (Expected)
<b>Target Market</b>	Premium vehicle models	Mid- to high- end vehicle models		Entry-level vehicle model
<b>SoCs</b>	Two Mobileye EyeQ® 5H	Texas Instruments TDA4	Renesas Electronics V4H	Mobileye EyeQ® 4M (Expected)
<b>Sensors</b>	<ul style="list-style-type: none"> <li>• 11 cameras:                             <ul style="list-style-type: none"> <li>– Two 8-megapixel front cameras;</li> <li>– Four 8-megapixel 100-degree side cameras (two front-facing and two rear-facing);</li> <li>– One 8-megapixel rear camera; and</li> <li>– Four 3-megapixel fisheye cameras</li> </ul> </li> <li>• 12 ultrasonic sensors</li> <li>• One front millimeter wave radar</li> </ul>	<ul style="list-style-type: none"> <li>• Five cameras:                             <ul style="list-style-type: none"> <li>– One 2-megapixel front camera</li> <li>– Four 3-megapixel fisheye cameras</li> </ul> </li> <li>• 12 ultrasonic sensors</li> <li>• Up to five millimeter wave radar</li> </ul>	<ul style="list-style-type: none"> <li>• Six cameras:                             <ul style="list-style-type: none"> <li>– One 8-megapixel front camera</li> <li>– Four 3-megapixel fisheye cameras</li> <li>– One 3-megapixel rear camera</li> </ul> </li> <li>• 12 ultrasonic sensors</li> <li>• Up to five millimeter wave radar (optional)</li> </ul>	<ul style="list-style-type: none"> <li>• One 1.7-megapixel camera</li> <li>• Up to two millimeter wave radar</li> </ul>
				<ul style="list-style-type: none"> <li>• One 8-megapixel camera</li> <li>• Up to five millimeter wave radar</li> </ul>

**BUSINESS**






		AD Domain Controllers		iFC products		
		SuperVision™	iDC Mid	iDC High	iFC 2.0	iFC 3.0
Main Features	<p>SuperVision™ is a full operational point-to-point assisted driving navigation<sup>(1)</sup> solution and includes cloud-based enhancements. Furthermore, in addition to supervised point-to-point assisted driving, SuperVision™ is able to provide OEM customers with autonomous driving functions, including Urban NoA, Highway NoA, HPA, RPA and APA, among others for a designated ODD.</p>	<p>iDC Mid is a cost-effective solution that integrates high-speed driving<sup>(2)</sup> functions and low-speed parking functions into one SoC only. iDC Mid is able to integrate driving functions such as highway navigate on autopilot (Highway NoA) and parking functions such as home-zone parking assistance (HPA).</p>	<p>iDC High is an enhanced version of iDC Mid. iDC High will include all autonomous driving functions of iDC Mid. In addition, it will include more advanced autonomous driving functions, including urban navigate on autopilot (Urban NoA), and more advanced parking functions to cover more scenarios.</p>	<p>iFC 2.0 is a budget solution for level 2 autonomous driving that includes both comforting functions (such as lane centering control (LCC) and adaptive cruise control (ACC)) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)).</p>	<p>As an upgraded version of iFC 2.0, iFC 3.0 will include all functions of iFC 2.0 and provide more advanced autonomous driving functions such as ESS benefiting from its more advanced perception capability. It is expected to meet future C-NCAP and EURO-NCAP 5-star safety standards.<sup>(3)</sup></p>	

*Notes:*

- (1) Point-to-point assisted driving navigation represents navigation assistance while driving from one location to another, including entering and exiting highways, ring roads, complex urban roads, country roads, and parking areas. As a result, it has autonomous driving functions for both high-speed driving and low-speed parking scenarios.
- (2) High-speed driving scenarios primarily include highways, ring roads, complex urban roads, country roads and do not include parking areas.
- (3) iFC 3.0 is expected to meet the 5-star requirements of C-NCAP2024 ADAS categories (AEB Car-to-car Rear Collision, Lane Keeping Assistance, ELK, LDW) and AEB Vulnerable-Road-User Protection categories, and can also meet the 5-star requirements of EURO-NCAP2026 SA categories (AEB Car-to-car Rear Collision, AEB Head-on, Lane Support System) and AEB Vulnerable-Road-User Protection categories. As C-NCAP2024 and EURO-NCAP2026 have not been officially released, the testing is based on the draft version requirements.




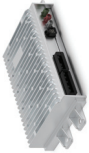



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	AD Domain Controllers			iFC products	
	SuperVision™ 	iDC Mid 	iDC High 	iFC 2.0 	iFC 3.0 
<b>Key Functions</b>					
<b>Driving</b>					
Urban Navigate on Autopilot <sup>(1)</sup> (Urban NoA)	✓	—	✓	—	—
Highway Navigate on Autopilot <sup>(1)</sup> (Highway NoA)	✓	✓	✓	—	—
Lane Centering Control (LCC)			✓		
Adaptive Cruise Control (ACC)			✓		
<b>Parking</b>					
Home-zone Parking Assist (HPA)	✓	✓	✓	—	—
Remote Parking Assistance (RPA)	✓	✓	✓	—	—
Automatic Parking Assistance (APA)	✓	✓	✓	—	—
Surround View 3D Display (SV3D)	✓	✓	✓	—	—

*Note:*

(1) Compared to iDC series, SuperVision™ has a greater quantity and higher precision of sensors, which allows for earlier and more accurate recognition of surrounding traffic conditions, benefiting the efficiency of decision-making algorithms. In addition, SuperVision™ is based on crowd-sourced mapping technology. This allows for faster map updates than high-precision maps, quickly reflecting changes in road conditions, and enhancing the availability of the NoA functions.

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	AD Domain Controllers			iFC products	
	SuperVision™ 	iDC Mid 	iDC High 	iFC 2.0 	iFC 3.0 
<b>Safety Assistance</b>					
Forward Collision Warning (FCW)		✓	✓		
Automatic Emergency Braking (AEB)		✓	✓		
Lane Departure Warning (LDW)		✓	✓		
Traffic Sign Recognition (TSR)		✓	✓		
Emergency Lane Keeping (ELK)		✓	✓		
Glare-free High Beam (GFHB)		✓	✓		
Emergency Steering Assistance (ESS)	✓	—	✓	—	✓

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### *AD Domain Controllers*

We provide two AD domain controller product lines covering a wide price range of vehicles. We act as the system integrator in SuperVision™ projects, which is based on Mobileye’s technology including the base version of AD domain controllers acquired from Mobileye. We also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High.

#### *SuperVision™*

SuperVision™, targeting the premium vehicle market, is a fully operational point-to-point assisted driving navigation solution on various road types and includes cloud-based enhancements and supports OTA updates for a designated operational domain design (ODD). It has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering various driving scenarios for a designated ODD. Powered by two Mobileye’s EyeQ®5H SoCs, SuperVision™ supports 360-degree surround sensing with 11 cameras. The 11 cameras consist of (i) one 8-megapixel 120-degree and one 28-degree cameras in the front, (ii) four 8-megapixel 100-degree wings cameras (two front-facing and two rear-facing), (iii) four wide-view 195-degree parking cameras mounted on the side mirrors, front and rear bumpers, and (iv) an 8-megapixel 60-degree rear camera. SuperVision™ is able to provide OEM customers with autonomous driving functions, including Urban NoA, Highway NoA, HPA, RPA and APA, among others for a designated ODD.

We acquire the base version of AD domain controllers from Mobileye, and act as the system integrator for SuperVision™ supplied to our OEM customers, our responsibilities in series production stage primarily include (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery. We integrate the licensed software developed by Mobileye, with the hardware components, resulting in a fully-functional AD domain controller customized to meet the specific requirements of each vehicle model. Thorough assessments are then conducted to ensure the accuracy and completeness of the flashed software. Each unit undergoes comprehensive testing to maintain our high-quality standards before being delivered to our OEM customers. Furthermore, we carry out bench and on-vehicle tests for each software version to be released in order to facilitate subsequent OTA updates.

Our first SuperVision™ project in collaboration with Mobileye commenced series production in 2021 as Geely Group launched ZEEKR 001 premium electric vehicle which was equipped with SuperVision™ as a standard feature. Following ZEEKR 001, the second vehicle model from Geely Group’s premium electric vehicle brand that started series production in January 2023, ZEEKR 009, has also been equipped with SuperVision™ as a standard feature. In total, we have delivered approximately 130 thousand units of SuperVision™ as of June 30, 2023. Additionally, we are expanding our collaboration with Geely Group. Two additional brands under Geely Group, Polestar and Smart, are expected to launch SuperVision™ globally in their upcoming electric vehicle models, beginning in 2023. In January 2023, we entered into

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a framework contract with an affiliate of Geely Group in connection with a project to supply SuperVision™ in one of Polestar’s upcoming vehicle models. Series production of such vehicle model of Polestar is anticipated to begin in December 2023, and its export to the EU and the US is anticipated to begin as early as 2024. In June 2023, we received a letter of nomination associated with another luxury brand under Geely Group for the development of autonomous driving solutions in an upcoming vehicle model. For details of our collaboration with Mobileye, please refer to “— Suppliers — our relationship with Mobileye.”

In addition to Geely Group, we are also exploring cooperation opportunities with major domestic OEMs for adoption of SuperVision™ as an advanced driving solution across multiple vehicle models.

### *iDC Series*

The iDC series is our self-developed AD domain controller product line, which consists of (i) iDC Mid, which started series production in January 2023, and (ii) iDC High, of which we expect the series production to start in 2024. Autonomous driving products are typically partitioned into various chips, and these chips connect sensors to actuators through interfaces and high-performance electronic controller units (ECUs). Compared to the typical architecture that includes both SoC and microcontroller (MCU), we creatively developed an advanced software architecture for iDC series that integrates high-speed driving functions and low-speed parking functions into one SoC only, enabling product cost reduction and system efficiency enhancement.

For iDC series, our work is primarily focused on the following aspects: (i) we are in charge of the hardware design and development, which includes the design of the housing, camera module, circuit diagram, PCB layout, and hardware architecture of the autonomous driving solutions and products; (ii) we develop the underlying base software and the middleware that acts as a bridge to connect underlying software with the hardware; (iii) we develop perception, fusion, localization, planning and control algorithms that enable various autonomous driving functions; (iv) we provide system integration, testing and validation services to make sure our solutions and products are well integrated within the vehicle and provide high performance and quality functions according to customer requirements; (v) we procure components and assemble autonomous driving products in-house, leveraging our self-owned production lines; (vi) we provide quality assurance and aftermarket services after the series production; and (vii) we use OTA technologies to continuously enhance the performance of our solutions and provide users with up-to-date autonomous driving functions.

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## BUSINESS

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### A. iDC Mid

Our iDC Mid is a cost-effective solution to provide autonomous driving functions targeting the mid- to high- end vehicle market that can achieve level 2+ autonomous driving. Powered by a TDA4 SoC of Texas Instruments, iDC Mid can support up to five cameras, including one front camera and four parking cameras, as well as up to five millimeter wave radar sensors and 12 ultrasonic sensors to provide full surround coverage.

We design and develop all key hardware and software for our iDC Mid. Empowered by our flexible system architecture, iDC Mid offers exceptional adaptability, allowing it to be used on a variety of vehicle models of our OEM customers. In addition, our self-developed middleware also makes it possible for the iDC Mid to switch seamlessly between running environments and operating systems, including Linux, TI RTOS, and AUTOSAR. Using our proprietary algorithms, iDC Mid is able to integrate driving functions such as Highway NoA, LCC, ACC, and parking functions such as HPA, RPA, APA and SV3D, and safety assistance functions. In addition, we are able to add more autonomous driving functions to the iDC Mid through OTA updates.

In January 2023 and July 2023, we series-produced and delivered iDC Mid to Chery for installation on EXEED Lanyue (星途攬月) and EXEED Lingyun (星途凌雲), respectively, as a standard feature in high-end versions. Both Chery’s vehicle models are expected to be exported overseas in the second half of 2023. Furthermore, we received two letters of nomination from Chery in June and August 2023, respectively, for the development of autonomous driving solutions on its upcoming vehicle models. We are also collaborating with Dongfeng to launch iDC Mid on their Dongfeng Fengxing M6 (風行M6) vehicle model. As of the Latest Practicable Date, we had received six letters of nomination from different OEMs with respect to our iDC Mid.

### B. iDC High

We expect the series production of iDC High, the enhanced version of iDC Mid designed for mid- to high- end vehicles, to start in 2024. Powered by the V4H SoC of Renesas Electronics, iDC High is expected to have high computing power and support a full-scenario intelligent driving experience. Furthermore, we can further develop iDC High to work with SoCs from other vendors by leveraging our advanced software and middleware. The architecture of iDC High is designed for arithmetic iterative development and series production reliability. Benefiting from the high quality and safety standard of iDC High, we can support customers to achieve required ASIL level for corresponding functions.

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## BUSINESS

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iDC High will include all autonomous driving functions of iDC Mid. In addition, it will support more advanced autonomous functions, such as Urban NoA, and more advanced parking functions to cover more scenarios, benefiting from its higher computing power and enhanced sensor configuration, compared to iDC Mid. iDC High will adopt a strong visual perception solution that comprehensively enhances perception range and accuracy as compared to iDC Mid. In particular, iDC High is designed to support six cameras, including one 8-megapixel front camera with a 120-degree field of view, four 3-megapixel fisheye cameras and one 3-megapixel rear camera with a 100-degree field of view. Although iDC High will be able to support up to five radar sensors, we can also develop camera-only solutions based on iDC High to meet the cost requirements of OEM customers.

### *iFC Products*

Since cameras are considered the most cost-efficient and versatile sensors powering the evolution of autonomous driving solutions, we launched iFC products that support level 2 autonomous driving functions. Our iFC series includes both comforting functions (such as lane centering control (LCC) and adaptive cruise control (ACC)) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)). Our iFC products are scalable from single-camera solutions to multi-sensor fusion solutions. We can connect multiple millimeter wave radar sensors to our iFC products to provide more advanced autonomous driving functions. For example, by adding four corner radar sensors, our iFC products can provide a lane change assistance function. In addition, iFC products can also be used as intelligent sensors in an autonomous driving solution, which provide visual perception outputs and transmit them to the AD domain controllers.

The works involved in the development and production of our iFC products are carried out in a similar manner for our iDC products, which primarily include: (i) hardware design and development; (ii) development of autonomous driving software and algorithms; (iii) procurement of components and assembly of autonomous driving products in-house; and (iv) quality assurance and after-market services after the series production. We had launched iFC 2.0 on the market in August 2021. Going forward, we plan to launch the next generation iFC product, iFC 3.0, in 2024.

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## BUSINESS

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### *iFC 2.0*

iFC 2.0 is a budget solution for level 2 autonomous driving targeting the entry-level vehicle market that integrates our proprietary autonomous driving algorithms and advanced hardware. It is a single-camera vision product that can be customized to the needs of each OEM customer. Powered by the EyeQ<sup>®</sup>4 SoC of Mobileye, iFC 2.0 is equipped with a 1.7-megapixel camera with a 100-degree field of view. Through 3D perception and dynamic auto calibration, iFC 2.0 offers high accuracy in distance and location measurements. As a result of our high quality and safety standards, iFC 2.0 can meet C-NCAP and EURO-NCAP 2023 5-star safety standards as well as GSR regulatory standards.

The series production of iFC 2.0 first occurred in August 2021. We also launched iFC 2.0 on the Jiaji L and Haoyue L models of Geely Group as a standard feature in high-end versions, respectively. In addition, we are cooperating with Great Wall Motor and Dongfeng and expect to launch iFC 2.0 in their upcoming vehicle models.

### *iFC 3.0*

We expect the series production of the next generation iFC, iFC 3.0, to start in 2024. As an upgraded version of iFC 2.0, iFC 3.0 will include all functions of iFC 2.0 and provide more advanced autonomous driving functions such as ESS benefiting from its more advanced perception capability. The iFC 3.0 is going to integrate Mobileye’s next generation EyeQ<sup>®</sup>6L SoCs. It is expected to be equipped with an 8-megapixel 120-degree camera. We will maintain high quality in the design and manufacturing of iFC 3.0, ensuring that it will meet future C-NCAP and EURO-NCAP 5-star safety standards.

Compared to iFC 2.0, iFC 3.0 is expected to be 20% smaller in size, making it more conducive to vehicle integration. To provide more autonomous functions, iFC 3.0 is expected to have more powerful function expansion capabilities that supports Ethernet interface and optional driver monitoring system or a rear-view camera. Due to its enhanced perception capabilities, more compact size, and enhanced function extension capabilities, our iFC 3.0 is expected to meet the upgrading needs of our OEM customers.

**BUSINESS**

The table below sets forth the revenue, gross profit margin and sales volume of our key products during the Track Record Period.

Product	For the Year Ended December 31,						For the Six Months Ended June 30,								
	2020			2021			2022			2023					
	Revenue	Gross profit margin	Sales volume	Revenue	Gross profit margin	Sales volume	Revenue	Gross profit margin	Sales volume	Revenue	Gross profit margin	Sales volume			
RMB'000	%	Unit	RMB'000	%	Unit	RMB'000	%	Unit	RMB'000	%	Unit				
SuperVision™	-	-	-	86,010	5.3	5,796	1,248,795	7.4	79,589	335,959	6.3	21,272	510,225	7.2	40,628
iDC Mid	-	-	-	-	-	-	441	77.0 <sup>(1)</sup>	101	-	-	-	2,573	15.1	1,480
iFC 2.0	440	48.1	4 <sup>(2)</sup>	144	52.0 <sup>(3)</sup>	71	3,115	15.5	3,956	796	(7.7)	878	5,321	(11.4)	7,707

(Unaudited)

Notes:

- (1) Calculated based on the sale of sample products in 2022, which is expected to differ after the series production of iDC Mid in 2023.
- (2) Represents the sample products sold to our customers prior to the series production of iFC 2.0.
- (3) Primarily because we generated a significant portion of revenue from sales of sample products prior to the series production of iFC 2.0 in August 2021, which generally had a relatively higher gross profit margin.



## BUSINESS

### Our Autonomous Driving Projects Under Development

The table below sets forth details of our projects under development, all of which were in the project development stage, i.e., we had received letters of nomination but not yet started series production as of the Latest Practicable Date.

OEMs	Vehicle Models	Products Under Development	Date of Letter of Nomination	Current Stage in Project Development <sup>1</sup>	Current Status
OEM A, an automaker in the PRC of both ICE vehicles and NEVs	A PHEV MPV model	iFC 2.0 and iDC Mid	August 2022	<ul style="list-style-type: none"> <li>• Product development</li> </ul>	<ul style="list-style-type: none"> <li>• Delivered hardware and completed the development of the initial version of full-featured software</li> <li>• Expect to commence series production by January 2024</li> </ul>
OEM B, an automaker in the PRC of both ICE vehicles and NEVs	ICE and NEV SUV models	iFC 2.0	November 2022	<ul style="list-style-type: none"> <li>• Product development</li> </ul>	<ul style="list-style-type: none"> <li>• In the process of negotiation for technology development agreement</li> <li>• Expect to commence series production in March 2024</li> </ul>
OEM C, an automaker of NEVs in the PRC	An NEV Crossover model	iFC 2.0  iDC High	March 2023  June 2023	<ul style="list-style-type: none"> <li>• Product development</li> <li>• Customer requirement</li> </ul>	<ul style="list-style-type: none"> <li>• In preparation of initial software development schedule</li> <li>• Project was kicked off in June 2023</li> </ul>
OEM D, an automaker in the PRC of both ICE vehicles and NEVs	ICE and NEV SUV models  ICE and NEV SUV models	iDC Mid  iDC Mid	June 2023  August 2023	<ul style="list-style-type: none"> <li>• Product development</li> <li>• Customer requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Received letter of nomination in June 2023</li> <li>• Expect to commence series production in February 2024</li> <li>• Received letter of nomination in August 2023</li> <li>• Expect to commence series production in March 2024</li> </ul>
OEM E, an international automaker of both ICE vehicles and NEVs	An NEV SUV model	SuperVision™	September 2021	<ul style="list-style-type: none"> <li>• Product validation</li> </ul>	<ul style="list-style-type: none"> <li>• Commenced production in small scale in May 2023</li> <li>• Expect to commence series production in October 2023</li> </ul>

**BUSINESS**

OEMs	Vehicle Models	Products Under Development	Date of Letter of Nomination	Current Stage in Project Development <sup>1</sup>	Current Status
OEM F, an automaker in the PRC of NEVs	An NEV sedan model	SuperVision™	March 2023	<ul style="list-style-type: none"> <li>Product development</li> </ul>	<ul style="list-style-type: none"> <li>Completed production of test mule in April 2023</li> <li>In the process of software testing and functional development</li> <li>Expect to commence series production in October 2023</li> </ul>
OEM G, an international automaker of NEVs	An NEV SUV model	SuperVision™	January 2023	<ul style="list-style-type: none"> <li>Product development</li> </ul>	<ul style="list-style-type: none"> <li>Received letter of nomination entered into with an affiliate of OEM G in January 2023</li> <li>Completed production of a test mule in April 2023</li> <li>In the process of software testing and functional development</li> <li>Expect to launch in China in December 2023</li> </ul>
OEM H, an international automaker in of both ICE vehicles and NEVs	An NEV MPV model	SuperVision™	June 2023	<ul style="list-style-type: none"> <li>Customer requirement</li> </ul>	<ul style="list-style-type: none"> <li>Received letter of nomination entered into with an affiliate of OEM H in June 2023</li> <li>Expect to commence series production in March 2024</li> </ul>
OEM I, an automaker in the PRC of both ICE vehicles and NEVs	An HEV Pickup model	A customized version of iDC Mid	December 2021	<ul style="list-style-type: none"> <li>Joint acceptance</li> </ul>	<ul style="list-style-type: none"> <li>In the process of validation before series production</li> <li>Completed the pilot installation for production purpose</li> <li>Expect to commence series production by January 2024</li> </ul>
	An ICE SUV model	iFC 2.0	February 2022	<ul style="list-style-type: none"> <li>Joint acceptance</li> </ul>	<ul style="list-style-type: none"> <li>Completed pilot installation in April 2023</li> <li>In the process of the second pilot installation for production purpose</li> <li>Expect to commence series production in October 2023</li> </ul>
	An NEV SUV model	iFC 2.0	May 2023	<ul style="list-style-type: none"> <li>Product development</li> </ul>	<ul style="list-style-type: none"> <li>Received letter of nomination in May 2023</li> <li>Expect to commence series production in November 2023</li> </ul>

**BUSINESS**

OEMs	Vehicle Models	Products Under Development	Date of Letter of Nomination	Current Stage in Project Development <sup>1</sup>	Current Status
<b>OEM J, an international automaker of both ICE vehicles and NEVs</b>	ICE and NEV SUV models	iFC 2.0	August 2023	• Customer requirement	• Received letter of nomination in August 2023 • Expect to commence series production in March 2024
	ICE and NEV SUV models	iFC 2.0	August 2023	• Customer requirement	• Received letter of nomination in August 2023 • Expect to commence series production in March 2024
	ICE and NEV Pickup models	iFC 2.0	August 2023	• Customer requirement	• Received letter of nomination in August 2023 • Expect to commence series production in March 2024
	An NEV VAN model	iFC 2.0	June 2022	• Product development	• Finished medium-term acceptance in August 2023 • Expect to commence series production in June 2024
	An NEV VAN model	iFC 2.0	August 2023	• Product development	• Received letter of nomination in August 2023 • Expect to commence series production in December 2023
	An NEV VAN model	iFC 2.0	September 2023	• Customer requirement	• Received letter of nomination in September 2023 • Expect to commence series production in December 2024

*Note:*

- (1) The project development stage of a project is divided into four distinct phases, namely customer requirement, product development, product validation phase and joint acceptance. In the customer requirement phase, we work in close collaboration with OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) to gain a comprehensive understanding of their specific requirements. In the product development phase, we endeavor to create a solution that effectively meets the specific needs of the OEMs. During the product validation phase, various processes such as testing, verification, customization, and integration with other subsystems of the vehicle are carried out. The joint acceptance phase represents that the solution or product is jointly accepted by both the OEM customer and us. For details, see “— Our Customers.”

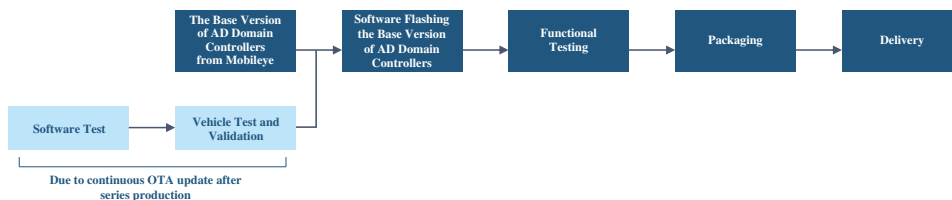
**BUSINESS**

**Our Autonomous Driving Projects in Series Production**

The table below sets forth details of our projects that were in the series production stage as of the Latest Practicable Date.

OEMs	Vehicle Models	Products in Series Production	Whether Products are Standard Fit	Date of Letter of Nomination
<b>OEM A, an automaker in the PRC of both ICE vehicles and NEVs</b>	An ICE MPV model	iFC 2.0	Standard feature in mid- and high-end versions	January 2022
	An ICE SUV model	iFC 2.0	Standard feature in mid- and high-end versions	January 2022
<b>OEM B, an automaker in the PRC of both ICE vehicles and NEVs</b>	An ICE SUV model	iFC 2.0	Standard feature in high-end versions	September 2022
<b>OEM D, an automaker in the PRC of both ICE vehicles and NEVs</b>	An ICE SUV model	iDC Mid	Standard feature in high-end versions	January 2022
	An ICE SUV model	iDC Mid	Standard feature in high-end versions	January 2022
<b>OEM F, an automaker in the PRC of NEVs</b>	An NEV Sedan model	SuperVision™	Standard feature in all versions	March 2023
	An NEV Sedan model	SuperVision™	Standard feature in all versions	October 2020
	An NEV MPV model	SuperVision™	Standard feature in all versions	November 2022
<b>OEM J, an international automaker of both ICE vehicles and NEVs</b>	An ICE SUV model	iFC 2.0	Standard feature in high-end versions	December 2021
	An ICE SUV model	iFC 2.0	Standard feature in high-end versions	December 2021
	An ICE SUV model	iFC 2.0	Standard feature in high-end versions	December 2021
<b>OEM K, an automaker in the PRC of NEVs</b>	An NEV Sedan model	iFC 2.0	Standard feature in high-end versions	November 2021

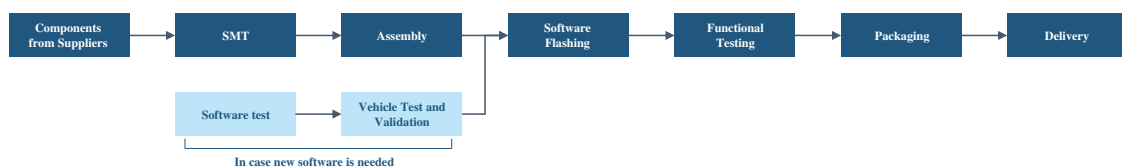
The diagram below illustrates the workflow in SuperVision™ projects once they enter into the series production stage.



## BUSINESS

For SuperVision™ supplied to our OEM customers and OEM end customers, we acquire the base version of AD domain controllers from Mobileye, and then act as the system integrator. After the commencement of sales, our work in the SuperVision™ projects is primarily focused on (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery. We integrate licensed software developed by Mobileye, which is not based on our proprietary algorithm, with the hardware parts, transforming the base version of AD domain controllers procured from Mobileye into a fully-functional AD domain controller tailored to the unique requirements of a vehicle model. For the base version of AD domain controllers within the same batch or production run, the software remains the same for each unit. From time to time, we provide assistance to customers in updating autonomous driving software for deployment on a new batch of vehicles. Subsequently, we undertake a comprehensive assessment to ensure the correctness and completeness of the flashed software. Comprehensive tests on each units of these products will be conducted to ensure the high quality standards. For the subsequent OTA updates of the SuperVision™ projects, Mobileye develops the new version of software, which we then utilize for conducting bench testing and validation. We undertake two crucial tasks to ensure the quality and functionality of new software versions. Firstly, a comprehensive bench test is conducted on the software to assess its performance and identify any potential issues or bugs. This meticulous testing process helps to validate the software’s behavior and functionality in a controlled environment. Secondly, we perform rigorous on-vehicle tests to further validate and verify the new software. By deploying the software in real-world driving scenarios, we can assess its performance and compatibility with various vehicle systems and components. These tests allow for the identification and resolution of any issues that may arise when the software is integrated into the actual operating environment.

The diagram below illustrates the workflow in iDC and iFC projects once they enter into the series production stage.



Regarding our self-developed iDC and iFC series, our role extends beyond being a system integrator. We take on various responsibilities after entering the series production stage. We handle the procurement of raw materials and components based on our designs. Using our two SMT lines, we mount various electronic components, such as SoCs and resistors, on the PCB in accordance with product specifications. We then put together the necessary components, such as PCBA, camera modules, connectors, and other mechanical parts, to form the core body of our autonomous driving products. Furthermore, we undertake similar tasks related to software testing and programming, functional testing, packaging, and delivery as we do for the SuperVision™ projects. Notably, for the iDC and iFC series, our proprietary autonomous driving software is installed onto the hardware.

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## BUSINESS

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### Our Product Functions

Built on our proprietary algorithms and based on different computing platforms, our autonomous driving solutions and products can provide a wide range of autonomous driving functions, which can be classified into three categories, namely driving functions, parking functions and safety assistance functions.

#### *Driving Functions*

Driving functions are typically activated in high-speed driving scenarios. Our driving functions primarily include navigate on autopilot (NoA), lane centering control (LCC) and adaptive cruise control (ACC).

#### *NoA*

NoA is an active guidance function that conducts automatic navigation-assisted driving based on the navigation route set by the driver. NoA is one of the most advanced driver assistance functions commercialized in the automotive industry. NoA is designed to be activated in operational design domains, which primarily include highways and urban areas.

Our proprietary NoA algorithms provide a user-friendly driving experience in high-frequency driving scenarios. When using NoA on highways, it guides a vehicle from a highway’s on-ramp to off-ramp, including suggesting and making lane changes, navigating highway interchanges, and taking exits. When using NoA in urban areas, the vehicle itself can perform virtually the full range of driving tasks, such as detecting and reacting to traffic lights, making lane change decisions, taking turns and navigating through intersections, roundabouts and viaducts, as well as avoiding obstructions like construction, pedestrians, and cyclists.

#### NoA

**Entering a Highway**



**Making Lane Changes**



**Exiting a Highway**



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## BUSINESS

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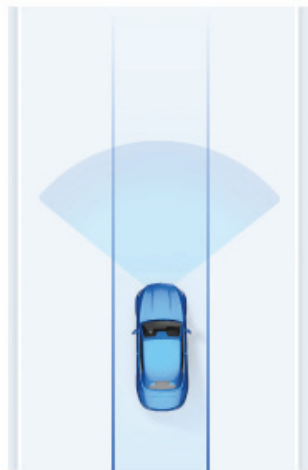
### *LCC*

LCC helps drivers keep the vehicle in the center of a lane. As part of our LCC, a front camera is used to detect and compare lane markings in front of the vehicle with the position of the vehicle within the lane. Connected to the steering control actuator, LCC can provide gentle but perceptible steering corrections to keep the vehicle in the center of the lane. At any time, the driver can override the function and remain in control of the vehicle. By actuating the turn signal indicator, the driver can override any intervention by LCC that would otherwise have taken place upon approaching the corresponding road marking.

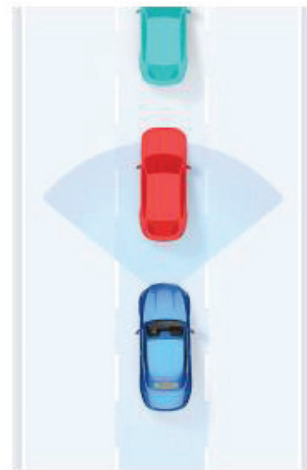
### *ACC*

ACC is a system designed to help a vehicle maintain a safe following distance and stay within the speed limit set by the driver. Our ACC can continuously monitor the traffic ahead using a single camera to measure the distance to vehicles in front. When the driver sets a preferred speed, our ACC system takes control of the driver’s vehicle and helps the vehicle adapt to the traffic flow, by maintaining speed while monitoring the following distance.

**LCC**



**ACC**



### *Parking Functions*

Parking functions are typically activated in low-speed parking scenarios. Our parking functions primarily include home-zone parking assistance (HPA), remote parking assistance (RPA), automatic parking assistance (APA), and surround view 3D display (SV3D).

## BUSINESS

### *HPA*

With HPA, drivers can simplify the daily ritual of entering and exiting their parking spaces at home or at the office. For the first time, the driver teaches the system the exact path to the desired parking space by driving the route manually. Next time, when the vehicle reaches the start position again and the driver activates the system, the vehicle will automatically move according to the learned route and parks itself in the target parking slot.

### **HPA**



In addition, we have developed a method for calculating distance with high precision based on information obtained from existing sensors, which has a minor deviation of up to 0.2%. The system is based on surround view and deep learning to allow accurate target recognition and vehicle localization. It is particularly adaptive to sudden changes in light and scene. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages.

### *RPA*

With RPA, drivers can park their vehicles with their smart devices or car keys while still being outside their vehicles. Once a parking space is detected, the driver can begin a remote parking maneuver, and the vehicle then parks itself into the space. The RPA system controls the vehicle’s brakes, steering and powertrain. When the car has reached its final parking position, the RPA system turns off the powertrain and applies the parking brake.



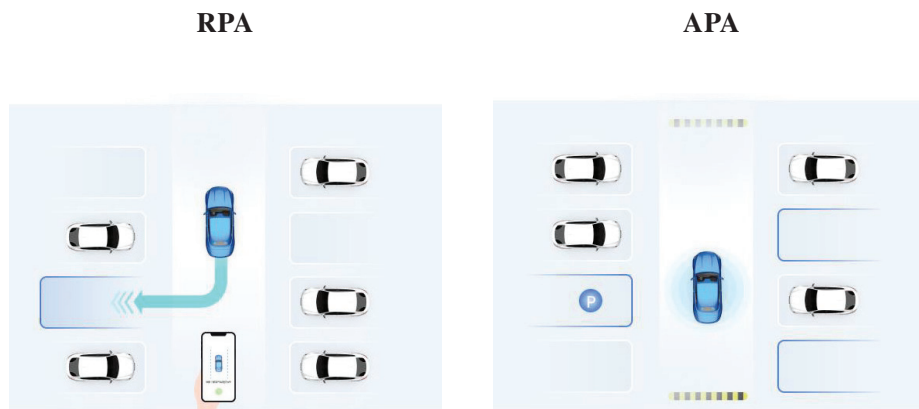
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## BUSINESS

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### APA

Using cameras and USS sensors, APA can take autonomous control of a specific parking task or the entire parking process, allowing drivers to park their vehicles safely and securely without damaging them or the vehicles around them. Our APA function can support a variety of parking spaces, including parallel, vertical and diagonal parking spaces and provide corresponding path planning strategies. Our APA system is capable of controlling vehicle in a manner similar to a human driver, avoiding sudden turns and braking. Additionally, we provide parking out function and reverse automatic emergency braking function for both static and dynamic obstacles.



### SV3D

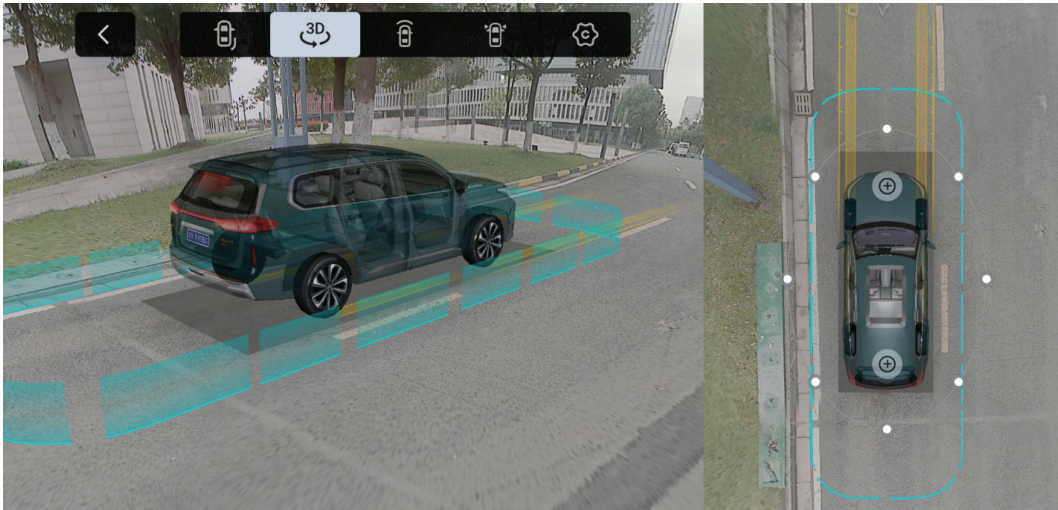
Our SV3D function provides a real-time 3D surround view of the vehicle and detects nearby obstacles, therefore assisting the driver for parking. A 360° bowl-shaped panoramic image can be created using our SV3D software, which automatically identifies, corrects and stitches overlapping parts between adjacent images and adjusts the stitching line position in real-time. In order to achieve a consistent visual effect between different cameras, the SV3D software analyzes the differences in image quality between adjacent cameras and adjusts the brightness and color of the output image of the corresponding cameras. Our SV3D software is also connected to the obstacle detection system. In low-speed operation, when the vehicle is close to an obstacle, the SV3D software automatically switches to a zoomed-in view of the obstacle's side.

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## BUSINESS

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### The 360° bowl-shaped panoramic image created by our SV3D algorithms



#### *Safety Assistance*

We provide a number of safety assistance functions to avoid and mitigate accidents. Our safety assistance functions primarily include:

- forward collision warning (FCW), which warns the driver of a potential collision with a vehicle ahead;
- automatic emergency braking (AEB), which applies brakes automatically if the vehicle detects an imminent collision. In addition to prevent or mitigate forward collisions, AEB can also detect obstacles and apply brakes automatically during reverse maneuvers;
- lane departure warning (LDW), which monitors the vehicle’s position within the driving lane and warns the driver when the vehicle approaches or crosses lane markers;
- traffic sign recognition (TSR), which recognizes traffic signs and relays them to drivers via the instrument panel;
- emergency lane keeping (ELK), which intervenes aggressively to prevent the vehicle from running off the road when a critical situation is detected;
- glare-free high beam (GFHB), which detects different light sources and controls the matrix beam to provide long range visibility without glaring other drivers and pedestrians; and
- emergency steering support (ESS), which provides assistance during a critical evasive maneuver by assisting steering torque.

## BUSINESS



### OTA Updates

We are committed to providing drivers with up-to-date autonomous driving functions via continuous OTA updates throughout the lifecycle of their vehicles. We believe our value-added OTA update services can further strengthen the competitive advantages of our autonomous driving solutions and products. Equipped with in-vehicle setup for OTA updates, our autonomous driving solutions and products can work with OEMs’ cloud platforms to apply updates to autonomous driving functions. We normally work with OEMs to fix the OTA update schedule and OEMs will send update notifications to end-users accordingly after filings with the relevant authorities. Through our outstanding software-hardware co-design capabilities, we are able to incorporate more autonomous driving functions without adding additional sensors. In the SuperVision™ projects, Mobileye develops the new version of software, which we then utilize for conducting bench testing and validation. Subsequently, in collaboration with the OEMs, we proceed with on-vehicle testing and validation, including OTA pressure testing. Ultimately, it is the responsibility of the OEMs to deploy the relevant software updates to the vehicles, ensuring the successful completion of the entire process.

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## BUSINESS

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### OUR RESEARCH AND DEVELOPMENT SERVICES

We began offering R&D services to OEMs in July 2017. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation.

Our autonomous driving-related R&D services are primarily focused on two areas

- (i) *Proof-of-concept projects.* In these projects, OEMs engage us to conduct concept validation for new technology. Leveraging our comprehensive R&D capabilities and utilizing advanced technology, we develop and provide prototypes to OEMs within a short time to conduct concept validation, including proof-of-concept projects involving level 3 or level 4 autonomous driving. Since 2017, we have completed a total of five R&D projects in relation to level 3 and level 4 autonomous driving, including two level 4 autonomous driving R&D projects. In the first instance, we created a prototype that can realize level 4 autonomous driving in predetermined urban areas. Additionally, we helped an OEM customer build an autonomous driving logistic vehicle model that can automatically travel between the OEM's manufacturing facilities and warehouse. These proof-of-concept projects help us demonstrate technical competence and we may be granted letter of nomination and selected as a supplier of autonomous driving solutions. Our R&D capabilities on level 3 and level 4 autonomous driving are also demonstrated by the number of our issued patents and patent applications. As of the Latest Practicable Date, we had 18 issued patents and eight patent applications related to level 3 and level 4 autonomous driving.
  
- (ii) *R&D services in relation to the supply of our autonomous driving solutions.* After receiving the letter of nomination, we start providing R&D services to customers, which primarily include R&D of hardware, software, algorithms and autonomous driving functions, as well as implementation, integration, verification and testing services. Prior to the delivery of sample products, we recognize revenue from such services as revenue related to autonomous driving-related R&D services. These R&D activities are critical to our sales of autonomous driving solutions and products because they enable us to identify system vulnerabilities and satisfy the OEMs' customized requirements.

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We believe that our R&D services can complement our core business of providing autonomous driving solutions and products and benefit us in two ways. Firstly, we are able to expand our customer base and source of income. It provides us with the opportunity to showcase our R&D and engineering capabilities to OEMs, which we believe would pave the way for deeper cooperation with OEMs in the field of autonomous driving. Secondly, we can also gain insights into requirements and product specifications of OEMs. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, revenue generated from rendering of autonomous driving-related R&D services amounted to RMB4.8 million, RMB34.5 million, RMB38.0 million, RMB5.5 million and RMB12.1 million, respectively, accounting for 10.1%, 19.4%, 2.9%, 1.5% and 2.2% of our total revenue for the same periods, respectively.

### SALES OF PCBA PRODUCTS

We were engaged in manufacturing and sales of PCBA products to third parties during the Track Record Period. Using our two surface mount technology (SMT) lines, we mount different electronic components on the PCB, such as SoCs, resistors, capacitors, and transmitters to prepare fully usable PCBA based on our customers' specifications.

During the Track Record Period, our customers for PCBA product sales primarily included Chinese electronic product manufacturers. We do not consider sales of PCBA products our core business. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, sales revenue from PCBA products amounted to RMB42.4 million, RMB57.6 million, RMB35.0 million, RMB17.0 million and RMB10.3 million, respectively. Our sales revenue of PCBA products, as a percentage of total revenue, decreased from 89.0% in 2020 to 32.3% in 2021 and further to 2.6% in 2022, and from 4.7% for the six months ended June 30, 2022 to 1.9% for the six months ended June 30, 2023. Going forward, as we expect to focus on providing autonomous driving solutions and products to OEM customers, we plan to gradually wind down our sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving solutions and products.

### OUR CORE TECHNOLOGIES

Our comprehensive R&D capabilities are the bedrock of our success in the development and commercialization of autonomous driving solutions and products, as highlighted by our (i) core algorithms, (ii) flexible middleware, and (iii) data loop and cloud platform.

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### **Our Comprehensive R&D Capabilities**

We possess industry-leading software-hardware co-design techniques, enabling us to provide comprehensive autonomous driving solutions and products to OEMs.

- *Hardware.* The experience we have in designing and series producing AD domain controllers and iFC products gives us a better understanding of how autonomous driving software and hardware work together. As we design solutions and products, we choose options that are best suited to our software architecture and core algorithms, which maximizes effectiveness and reduces costs.
- *Middleware.* Middleware acts as a bridge connecting software with the underlying hardware. Using our reliable and effective middleware, we can achieve seamless integration of our algorithms with a variety of different models of SoCs. By utilizing our middleware, we can install our autonomous driving systems on different vehicle models without incurring massive costs.
- *Core algorithms.* Algorithms are critical to the performance of autonomous driving solutions and products. With our autonomous driving algorithms, the AD domain controller can efficiently process sensor data, providing reliable fusion, localization, planning and control functions.
- *Testing and integration of the system.* We can organically integrate an AD domain controller, algorithms, and thoroughly tested sensors into a well-functioning autonomous driving solution customized for different OEMs and their vehicle models. Prior to the delivery of our autonomous driving solutions and products, we work closely with OEMs on function testing and validation.

### ***Our Core Algorithms***

We have developed a set of algorithms for autonomous driving, as highlighted by our perception and vehicle localization algorithms.

#### *Perception Algorithms*

Perception of the environment is a crucial task to be accomplished. In order to achieve level 2 and higher-level autonomous driving functions, granular and efficient perception is essential. As one of the most complex subsystems, perception requires specialized data infrastructure as well as expertise in machine learning and high-performance computing. Our perception stack is based on a modular sensor fusion pipeline that runs on a low compute footprint and can be customized in accordance with application requirements. We have developed two sets of perception algorithms based on different types of sensors, namely visual perception algorithms and USS perception algorithms.

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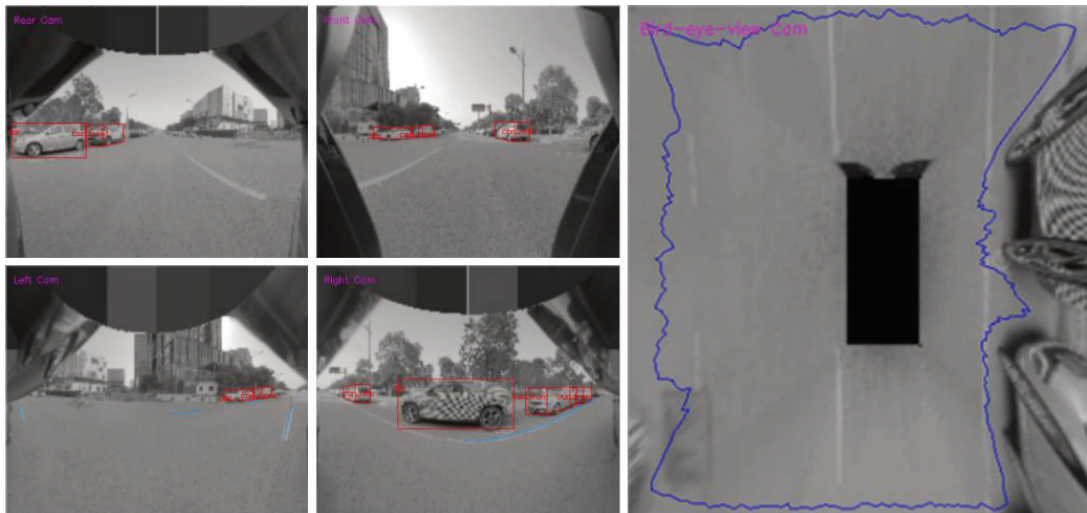
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### A. Visual Perception Algorithms

We use a multi-level data fusion approach in the development of visual perception algorithms. Our visual perception algorithms can automatically label data and filter out incorrectly labeled data for further studies and automatic correction. We employ CNN technologies to complete the scene understanding tasks, and also use the pre-processing and post-processing algorithms with high robustness for scene tracking, thus ensuring the overall system stability. Meanwhile, we have implemented Transformer-based Bird-Eye View perception algorithms in our autonomous driving products, which are capable of performing real-time Bird-Eye View perception on the automotive-grade chips. Transformer-based perception algorithms hold great potential for performance improvement. By employing continuous data feedback loops, these algorithms can effectively handle more complex autonomous driving scenarios, including urban areas. Furthermore, we are working with our business partners to customize the hardware acceleration framework for our own system so as to further improve the efficiency of our algorithms.

**Our visual perception algorithms can detect objects, parking spaces, and free spaces**



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Among our proprietary visual perception algorithms, fisheye perception algorithms are good example worth highlighting. A fisheye camera is used to capture images with extremely wide angles, typically around 200 degrees. Our fisheye perception algorithm provides reliable detection of close objects and can be used for NoA function to compensate for millimeter wave radar's shortcomings in the following areas:

### Advantages of Our Proprietary Perception Algorithms



Clearly identify vehicles in other lanes, avoiding lateral detection errors caused by millimeter wave radar that misidentify vehicles in multiple lanes as in the adjacent lane.



Detect high-speed vehicles that may not be detected by millimeter wave radar due to a lack of reflection information.



Accurately classify targets, allowing the HMI software to classify and display trucks and sedans.



Identify and distinguish stationary vehicles from the roadside, which addresses the issue faced by millimeter wave radar.



Distinguish between vehicles that have already moved out of a lane and roadside obstacles, which addresses the issue faced by millimeter wave radar.

### B. USS Perception Algorithms

Ultrasonic sensors, which use high-frequency sound waves to measure the distance between objects in close distance, can be used in conjunction with other vehicle sensors to provide a complete picture of a vehicle's surroundings. USS can be engaged to enhance parking functions as they can provide high-accuracy perception in low visibility situations, such as inclement weather condition. Our USS perception algorithms can help detect obstacles at a close distance at low speed. Our USS perception algorithms have been designed to be compatible with both the cost-effective AK1 ultrasonic sensors and the high-performance AK2 ultrasonic sensors, in order to meet different cost and performance requirements of OEMs. Our USS perception algorithms are designed to be compatible with mainstream sensor types and are already compatible with the latest generation of ultrasonic probe models. Additionally, we have the capability to continually iterate our USS perception algorithm to meet specific functional requirements and enhance the overall driving experience.



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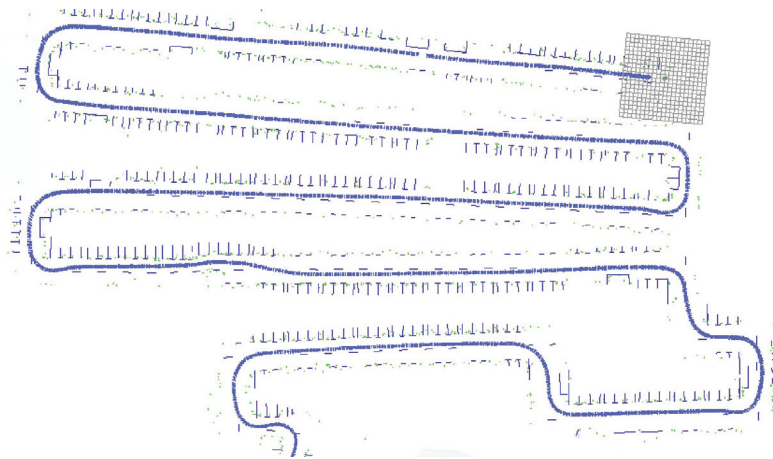
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We integrate USS perception algorithms into the SoCs of domain controllers. Our USS perception algorithms are designed to be more compatible, supporting dynamic filtering, multiple amplitude measurements, and impedance detection. Running on RTOS, our USS perception algorithms can respond in real-time, reducing the time lag associated with other systems.

### *Vehicle Localization Algorithms*

We have designed our vehicle localization algorithms to work on both open roads and in closed areas. On open roads, our vehicle localization algorithms utilize the feature point matching system and the inertial navigation system to provide a reliable localization output. Such localization algorithm does not rely on a high-precision integrated navigation system, so that it can reduce the overall cost of vehicles. For low-speed driving in closed areas, we have developed a set of simultaneous localization and mapping algorithms based on the fusion of semantic information and image features, which does not rely on navigation systems or inertial measurement units while still producing accurate vehicle localization output. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages. We are also developing simultaneous localization and mapping algorithms for open roads, aiming to resolve the limited and outdated map coverage issue of high-definition maps.

### **Simultaneous localization and mapping algorithms applied in underground garages**



### *Flexible Middleware*

In essence, middleware is a set of software frameworks between the upper-layer application and the underlying system. It is a platform for managing, allocating and scheduling software and hardware resources. It provides the environment required for the development and operation of upper-layer application software, which is convenient for developers to develop and integrate autonomous driving software quickly, efficiently and flexibly. Developed in accordance with the trend of software-hardware decoupling, our advanced middleware improves the adaptability of autonomous driving solutions to different vehicle models by allowing developers to transplant the solutions to new computing platforms with minimal effort.

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Our self-developed middleware does not rely on any open-source framework and removes the communication barrier between embedded MCUs and SoCs, allowing zero-copy data sharing in heterogeneous systems which improves the performance of systems by eliminating intermediate buffers when transferring data. Through our self-developed middleware, we can deploy our software on different computing platforms and operating systems, enabling us to quickly adapt to the hardware of various OEMs, reducing the time and cost of system development and improving the adaptability and iterability of our solutions and products.

Leveraging our vision middleware, we can develop visual perception algorithms that are compatible with different computing platforms. It is optimized for time-consuming operations such as image exposure, image transformation, deep learning, and video rendering, therefore ensuring high performance in real-time image processing and reducing the system’s resource consumption.

### *Data Loop and the Cloud Platform*

During the development process of our solutions and products, we partner with a top-tier third-party map maker in China who provides data collection, desensitization and anonymization services. This map maker specializes in creating high-precision, high definition maps that are specifically designed to support the needs of autonomous driving vehicles. To the best knowledge of our Company, except for such services provided by the third-party map maker, there were no other past or present relationships (including family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between the third-party map maker and our Company or our subsidiaries, their directors, shareholders or senior management, or any of their respective associates, during the Track Record Period and up to the Latest Practicable Date. The processed data are stored on our cloud platform for development and test purposes.

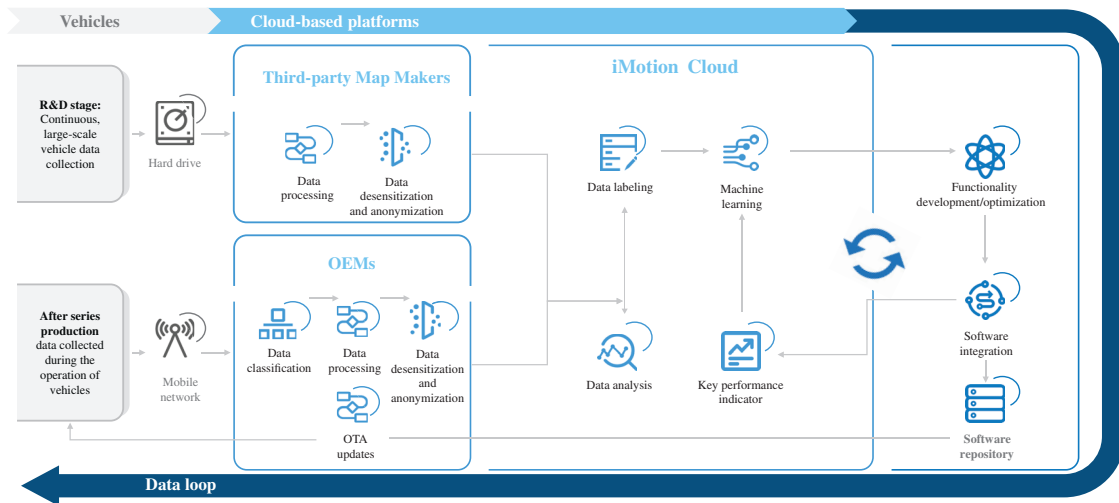
In the SuperVision™ projects, both Mobileye and our Company have access to specific desensitized and anonymized data for the purpose of software updates. After the launch of vehicles with our iDC Mid, we plan to proactively partner with OEM customers in obtaining real-world data, and have our OEM customers store the data on their selected platforms and for us to have access to only the desensitized and anonymized data for software update purposes. Based on the rich repository of real-world data, we can monitor performance and capture opportunities to enhance the performance and functionality of our autonomous driving solutions and products. In particular, we can continuously update our autonomous driving algorithms and achieve a relatively short iteration cycle.

Upon receiving data from the third-party map maker and OEMs, desensitized and anonymized data, such as images and videos, is first identified and labeled, to provide context for the machine learning model. We then apply machine learning and artificial intelligence techniques to find patterns within the database and pinpoint areas for algorithm optimization. With such insights, we can further refine the functionality of our autonomous driving solutions and products and integrate various new functions into a single software. Subsequently, we

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evaluate the performance of these new functions using key performance indicators and further optimize our algorithms leveraging our advanced machine learning techniques. We store the software in a repository after completing the algorithm iteration process and send it to OEMs for subsequent OTA updates.

The following diagram illustrates details of our cloud platform:



## SCALABLE MANUFACTURING PROCESS

Our self-developed AD domain controllers and iFC products are assembled in our own manufacturing facility from a variety of raw materials and components, some of which, including mechanical parts, automotive-grade chips, cameras, and electrical parts, are procured from reputable third-party suppliers. Our in-house manufacturing and testing capabilities and strict quality control measures enable us to ensure the high performance and reliability of our products.

### Our Production Plants

Our current manufacturing facility, which commenced production in July 2018, is located in Suzhou, Jiangsu Province, neighboring the hub of OEMs and automotive suppliers in China.

Our manufacturing facility is managed by our business operation department to further improve the performance of our autonomous driving products, control the cost of series production, and further automate the production of components. Our business operations department is divided into four teams based on their different responsibilities: supply chain management team, manufacturing team, facility maintenance team, and quality control team. Our manufacturing team strictly follows the production schedule set by the supply chain management team based on order status. Our quality control department supervises the entire production process, regularly inspecting raw materials, work in progress and final products to

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ensure that our products are of high quality. The facility maintenance team is responsible for improving manufacturing processes for new projects as well as improving the operating efficiency of our manufacturing facility.

### *Assembly Lines for Autonomous Driving Products*

We installed a semi-automatic iFC assembly line in 2020 and an automatic iDC assembly line in 2022, in response to the increasing sales volumes of our autonomous driving solutions and to meet the OEM customers' requirements on suppliers' manufacturing capabilities. In some cases, OEM customers only choose suppliers for autonomous driving solutions and products who have their own manufacturing facility. The estimated annual production capacity of our iFC assembly line and iDC assembly line is approximately 129 thousand units and 212 thousand units, respectively, based on one shift with 11 working hours per day and 250 working days per year. During the Track Record Period, our iFC assembly line manufactured a total of 24,986 units and our iDC assembly line manufactured a total of 3,844 units. We do not believe that the utilization rate of our assembly lines for autonomous driving products during the Track Record Period can accurately reflect our production efficiency, primarily because (i) prior to the series production of iFC 2.0 and iDC Mid, we mainly produced sample products for limited OEM customers and our assembly lines did not operate at full capacity; and (ii) we were in the early stages of commercializing our autonomous driving solutions and products, and there was a ramp-up period for the sales of iFC 2.0 after its series production, during which we only supplied a limited number of iFC products to certain OEM customers.

In anticipation of the rapid growth in sales of our iFC products, we plan to set up a new automatic assembly line for iFC products by the end of 2023, which will have an annual production capacity of approximately 1,000,000 units. Our new iFC assembly line is expected to be highly automated, therefore reducing the amount of labor required for production.

### *SMT Lines*

Our SMT lines manufactured PCBA products used as components of our own autonomous driving products and solutions. We mount various electronic components on the PCB in accordance with product specifications to create a finished PCBA product that is an essential component in all autonomous driving products. In addition, during the Track Record Period, our SMT lines manufactured PCBA products for sales to third-party customers. We do not consider the sales of PCBA products to third parties as our core business and plan to gradually wind down sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving products and solutions. Our two SMT lines have an estimated annual production capacity of approximately 1,168 thousand units in aggregate, based on two shifts with 22 working hours per day and 26 working days per month. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the production volume of our SMT lines was approximately 616 thousand, 501 thousand, 516 thousand, and 388 thousand units, respectively. We do not believe that the utilization rate of our SMT lines during the Track Record Period can accurately reflect our production efficiency, primarily because our

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SMT lines manufactured different types of PCBA products on a project-by-project basis, resulting in significant variation in production cycle time. We are actively exploring the possibility to install a new SMT line in 2023 to meet the heightened requirements for our own autonomous driving products. With the support of new-generation manufacturing equipment, we expect the new SMT line to have an annual production capacity of approximately 600 thousand to 700 thousand units, which will be equivalent to our current level of production capacity, and we also expect the new SMT line to be capable of making PCBA with more printed electronic components and more sophisticated designs.

### **Our Production Process**

The principal steps of the production process generally applicable to our self-developed iDC and iFC series include:

- *SMT.* In general, we begin the production process of our autonomous driving solutions and products, including iDC and iFC products at the current stage, by first preparing PCBA. Using our two SMT lines, we mount various electronic components, such as SoCs and resistors, on the PCB in accordance with product specifications. The finished PCBA contains all of the necessary electronic components for the board to function in an autonomous driving product as needed.
- *Assembly.* We then put together the necessary components, such as PCBA, camera modules, connectors, and other mechanical parts, to form the core body of our autonomous driving products. We may perform component functionality tests from time to time.
- *Software flashing.* Different autonomous driving software is installed on the hardware based on product specifications of our OEM customers.
- *Testing.* After the software installation, we carry out multiple tests to ensure that the autonomous driving products function properly. In particular, we conduct end-of-line tests on our products before they are rolled off the production line. End-of-line tests primarily focus on testing the overall functionality of our products using test systems that simulate all possible driving conditions, while also measuring the responses of the products being tested simultaneously.
- *Packaging.* The finished autonomous driving products are packaged together and transported to the warehouses for storage.

We have invested significant time in streamlining and automating our production process and systematically optimize our production process by designing automated assembly and testing processes. Every autonomous driving product assembled on our manufacturing line goes through our automated testing stations to verify the reliability of our products. These automated assembly and testing processes improve not only quality control, but also

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production efficiency and our ability to scale production. After packaging and delivering by us to our OEM customers, OEM customers are responsible for installing our products on their vehicles at the final assembly stage.

### **Logistics and Warehouse**

We mainly rely on qualified third-party logistics service providers for the transportation of our products. We leased our warehouse in Suzhou, Jiangsu Province, which is within our leased production plants, to store our finished autonomous driving products. Products that have passed quality inspections are delivered to the warehouse, where we implement strict inventory management and control measures, and are ultimately transported to locations specified by our OEM customers.

### **PRODUCTION QUALITY CONTROL**

Facing customers with world-class standards, we are committed to providing our customers with high-performance products with consistent quality and reliability. With our history of pioneering autonomous driving products, we have cultivated in-house high-precision manufacturing and testing capabilities to maintain our high-quality control standards, optimize our manufacturing cost structure, speed up the iteration of our product development cycle, and increase the robustness of our supply chain. As of June 30, 2023, our quality control team consisted of 12 personnel with rich experience in production and quality control.

We impose rigorous quality control standards at various stages of our manufacturing process. Materials and components are systematically tested at different stages of our manufacturing process to ensure that they meet our technical specifications. Our commercialized autonomous driving products undergo a number of stringent reliability tests following OEM standards, including mechanical shock, high temperature degradation, thermal shock and salt spray. These tests help ensure excellent and stable performance of our autonomous driving products in harsh environments. We also set key metrics to control the operation of our production line. Our current manufacturing facility in Suzhou, Jiangsu Province is ISO/TS 16949 and ISO 14001 certified. In terms of suppliers, our supply chain team and research and development team cooperate with each other during the selection process to evaluate suppliers' capabilities based on factors such as quality, volume delivery, pricing, timeline, and the ability to adapt, among others. With our strict quality control measures, we are able to produce high-quality autonomous driving products in-house.

### **SALES AND MARKETING**

We have a dedicated business development team in each of the business areas in charge of the marketing of our autonomous driving solutions and products to prospective OEM customers. As of June 30, 2023, our business development team, led by Mr. ZHU Qinghua who has over 12 years of sales experience, consisted of four sales personnel with deep knowledge about China's autonomous driving industry. As an integral part of our marketing strategy, we attend large technology conferences and industry expositions to showcase our solutions,

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products, and our technology. We also focus our marketing efforts on generating word-of-mouth referrals and creating content for marketing on media platforms with the goal of increasing our product exposure and building our reputation. Our marketing content includes high-quality articles and videos developed in-house, which elaborate on our product specifications and technologies to communicate, deliver, and enhance our brand and value in the target market. We believe that the combination of our high-quality content and the optimization of our marketing channels, in addition to the strong word-of-mouth referrals of our OEM customers enables us to achieve continued brand exposure and attract high-quality potential OEM customers efficiently.

We sell our autonomous driving solutions and products through direct sales. Our website showcases our products for potential customers with insightful product descriptions and reaches OEMs globally. We have a dedicated team of salespersons, divided by regions in China, to pursue and maintain relationships with domestic OEMs. We believe that sales of our products will be enhanced by knowledgeable salespersons who can convey the value of our technologies and high performance of our products. Many of our salespersons have previously worked at renowned technology companies and have years of sales experience and a foundation of technological knowledge to support their sales activities.

### **Order placement process**

Before 2023, in response to the global chip shortage, some of our major customers placed orders with us one year in advance. Since 2023, with the ease of the global chip shortage, our customers normally provide demand forecast to us four weeks to three months in advance and place orders one month in advance. For some vehicle models, our products are installed on every vehicle; while for others, our products are provided as an optional add-in.

### **Pricing strategies**

Depending on the market acceptance of our products, we adopt different pricing strategies. In setting our selling price, we take a variety of factors into consideration, including, but not limited to raw material costs, our investment on business expansion, customers' demands and expected level of sales. We closely monitor market trends and adjust our prices based on the competitive landscape in the industry. We also reduce the selling price for our autonomous driving solutions and products annually, which is in line with the industry norm, according to Frost & Sullivan.

In addition, we adjust our selling prices dynamically based on the customer profile and the sales forecast for their vehicles. We usually negotiate with customers in the first half of each year for the pricing of our products sold during the year.

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### OUR CUSTOMERS

Our customers primarily consist of OEMs that install our autonomous driving solutions and products on their vehicles. Substantially all of our revenue is generated within the PRC. Some OEMs may purchase our autonomous driving solutions through the OEM’s affiliate. For example, the sales to Polestar were made through an affiliate of Geely Group. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue generated from the five largest customers in each period in aggregate accounted for 84.2%, 92.1%, 99.4% and 99.0% of our total revenue, respectively, and revenue generated from our largest customer in the relevant periods accounted for 63.0%, 53.0%, 96.4% and 95.0% of our total revenue, respectively.

Customer engagement is an important aspect of our business, and it typically involves a series of stages. A typical customer engagement process for our autonomous driving solutions can be divided into three stages: project acquisition, project development, and series production.

The first stage is project acquisition, which involves various assessments conducted by OEMs (or in respect of certain vehicle models, an affiliate of the relevant OEM) to ensure that we are capable of delivering the required solutions and products. During this stage, a technology assessment is conducted to examine our capabilities and the resources required to develop autonomous driving solutions. Quality assessment is done to guarantee that our products meet the required standards, while supply chain assessment helps OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) build confidence in our reliable and efficient supply chain. In certain cases, technology and quality assessments are carried out by engaging our Company on specific proof-of-concept projects. OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) typically issue letters of nomination at the end of the first stage, which indicates that we have been selected as a designated supplier for autonomous driving solutions and products and are qualified to join an OEM’s supply chains. However, there is no guarantee that our customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination. As of the Latest Practicable Date, we were able to carry out vast majority of the projects for which we received the letters of nomination. During the Track Record Period and up to the Latest Practicable Date, we had received a cumulative total of 29 letters of nomination associated with 15 OEM customers for various projects. Among these, three letters of nomination (in relation to three projects) were discontinued. Regarding the remaining letters of nomination, there were a total of 34 projects. Among these, as of the Latest Practicable Date, 14 projects had successfully reached the series production stage, including two projects which discontinued sales after series production, 19 projects were in the project development stage, and one project had been temporarily paused. During the Track Record Period and up to the Latest Practicable Date, we had ceased cooperation with two of our OEM customers who issued a total of three letters of nomination to us. Our collaboration with one OEM customer was ended prior to the project reaching series production stage. To our best knowledge, the cessation of cooperation with this OEM customer was primarily due to the altered vehicle configurations. Regarding another OEM customer who



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issued two letters of nomination for two projects, we terminated our relationship before the start of series production for one project and after the other project had reached the series production stage. We decided to cease cooperation with this OEM customer, primarily considering its shifting business strategies. During that period, this OEM customer encountered significant operational and financial challenges. Consequently, it shifted its primary business focus away from research and development of new vehicle models.

The second stage of customer engagement is project development, which is further divided into four distinct phases. Firstly, the customer requirement phase, wherein our Company works in close collaboration with OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) to gain a comprehensive understanding of their specific requirements. Secondly, the product development phase, during which our Company endeavors to create a solution that effectively meets the specific needs of the OEMs. Thirdly, the product validation phase, where various processes such as testing, verification, customization, and integration with other subsystems of the vehicle are carried out. Lastly, the joint acceptance phase, representing the solution or product is jointly accepted by both the OEM customer (or in respect of certain vehicle models, an affiliate of the relevant OEM), on the one hand, and our Company, on the other hand.

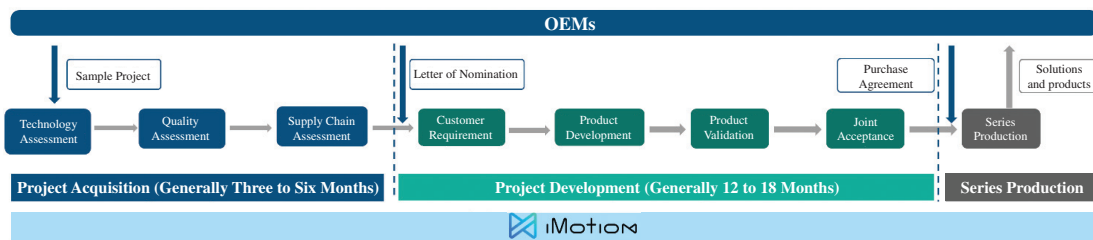
Subsequent to the letter of nomination which is not legally binding, we and OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) may further agree to enter into a purchase agreement and start series production of the autonomous driving solutions and products, which is standard for each vehicle and primarily consists of four steps:

- (i) *Manufacturing and assembly of components.* We manufacture and assemble hardware of our iDC and iFC products. As of the Latest Practicable Date, we were not responsible for the manufacture or assembly of the hardware of SuperVision™.
- (ii) *Software flashing.* We integrate autonomous driving software into each product before delivering to OEMs. For iDC and iFC series, we install our proprietary autonomous driving software onto the hardware. For SuperVision™, we integrate licensed software developed by Mobileye with the hardware parts, transforming the base version of AD domain controllers acquired from Mobileye into a fully-functional AD domain controller tailored to the unique requirements of a vehicle model. For each software version to be released, we conduct bench and on-vehicle tests before delivering AD domain controllers to OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM). Additionally, following the integration of the software into the hardware, we undertake a comprehensive assessment to ensure the correctness and completeness of the flashed software.

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- (iii) *Product functionality testing.* Comprehensive tests on units of our products will be conducted to ensure the high quality standards.
- (iv) *Packaging and delivery.* Once our solutions and products have successfully undergone testing and meet the required qualifications, we proceed with the packaging and prompt delivery to our OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM).
- (v) *Subsequent OTA updates.* We normally work with OEMs to fix the OTA update schedule and OEMs will send update notifications to end-users accordingly after filings with the relevant authorities.

The following chart illustrates the major steps from initial customer engagement to series production of our autonomous driving solutions:



The customer engagement process for our research and development services is as follows:

- *Proof-of-concept projects.* Our customers typically engage us on proof-of-concept projects to assess our technology capabilities and product quality before engaging us as a Tier-1 supplier for autonomous driving solutions in their vehicles. Our customers enter into formal contracts with us after determining that we have the necessary capabilities and resources to carry out series production projects.
- *R&D services in relation to the supply of our autonomous driving solutions.* Our customers for such services are those who engage us to provide autonomous driving solutions in their vehicles. We recognize revenue from these customers prior to the delivery of sample products (i.e. at the project development stage) as revenue related to autonomous driving-related R&D services.

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The following table sets forth details of our five largest customers in each year/period during the Track Record Period:

Customer	Revenue <i>(RMB'000)</i>	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>For the year ended December 31, 2020</i>						
Customer A	30,009	63.0%	LED module boards	60 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Customer B	3,558	7.5%	PCBA	90 days after invoice date	2019	A company located in Suzhou, Jiangsu, China. Its principal business is production of power lines, cable lines, aircraft lines and wires
Customer C	2,317	4.9%	PCBA	30 days after invoice date	2020	A company located in Suzhou, Jiangsu, China. Its principal business is assembly and testing of integrated circuits and electronic devices
Customer D	2,237	4.7%	Autonomous driving related R&D services	Within 60 days after invoice date	2017	A company located in Shanghai, China and listed on the Shanghai Stock Exchange. Its principal business is automobiles, motorcycles, and other vehicles production
Customer E	1,973	4.1%	Autonomous driving solutions and products	30 days after invoice date	2020	A company located in Suzhou, Jiangsu, China. Its principal business is research and development of Internet of Things technology, and Internet of Things equipment manufacturing
<b>Total</b>	<b>40,093</b>	<b>84.2%</b>				

## BUSINESS

Customer	Revenue <i>(RMB'000)</i>	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>For the year ended December 31, 2021</i>						
Geely Group	94,523	53.0%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date for autonomous driving-related R&D services or 75 days after invoices are recorded into Geely Group's account for series-produced products	2020	A company incorporated in the Cayman Islands and listed on the Stock Exchange, together with its subsidiaries and joint ventures under its control. Their principal businesses are automotive components, accessories and vehicle manufacturing
Customer A	40,409	22.7%	LED module boards	60 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Customer F	17,019	9.5%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date	2020	A company located in Shanghai, China. Its principal business is NEV technical design, research development and manufacturing
Customer D	6,465	3.6%	Autonomous driving related R&D services	Within 60 days after invoice date	2017	A company located in Shanghai, China and listed on the Shanghai Stock Exchange. Its principal business is automobiles, motorcycles, and other vehicles production
Customer E	5,897	3.3%	Autonomous driving solutions and products	30 days after invoice date	2020	A company located in Suzhou, Jiangsu, China. Its principal business is research and development of Internet of Things technology; Internet of Things equipment manufacturing
<b>Total</b>	<b>164,313</b>	<b>92.1%</b>				

## BUSINESS

Customer	Revenue	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>(RMB'000)</i>						
<i>For the year ended December 31, 2022</i>						
Geely Group	1,277,489	96.4%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date for autonomous driving-related R&D services or 75 days after invoices are recorded into Geely Group’s account for series-produced products	2020	A company incorporated in the Cayman Islands and listed on the Stock Exchange, together with its subsidiaries and joint ventures under its control. Their principal businesses are automotive components, accessories and vehicle manufacturing
Customer A	25,732	1.9%	LED module boards	60 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Mobileye	6,628	0.5%	Components of autonomous driving solutions	60 days after invoice date	2022	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Customer G	3,720	0.3%	Autonomous driving solutions and products and autonomous driving related R&D services	45 working days after invoice date	2019	A company located in Wuhan, Hubei, China and listed on the Stock Exchange. Its principal business is research and development, design and manufacture of automobiles
Customer H	3,623	0.3%	PCBA	30 to 60 days after invoice date	2019	A company located in Suzhou, Jiangsu, China. Its principal business is research and development and manufacture of communication cables and accessories
<b>Total</b>	<b>1,317,191</b>	<b>99.4%</b>				

**BUSINESS**

<b>Customer</b>	<b>Revenue</b>	<b>% of total revenue in same year</b>	<b>Services/ goods provided</b>	<b>Credit terms</b>	<b>Commencement of business relationship</b>	<b>Background of the customer</b>
<i>(RMB'000)</i>						
<i>For the six months ended June 30, 2023</i>						
Geely Group	516,042	95.0%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date for autonomous driving-related R&D services or 75 days after invoices are recorded into Geely Group's account for series-produced products	2020	A company incorporated in the Cayman Islands and listed on the Stock Exchange, together with its subsidiaries and joint ventures under its control. Their principal businesses are automotive components, accessories and vehicle manufacturing
Customer A	7,803	1.4%	LED module boards	45 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Customer G	5,239	1.0%	Autonomous driving solutions and products and autonomous driving related R&D services	45 working days after invoice date	2019	A company located in Wuhan, Hubei, China and listed on the Stock Exchange. Its principal business is research and development, design and manufacture of automobiles
Customer I	5,088	0.9%	Autonomous driving related R&D services	7 working days after invoice date	2022	A company located in Shenzhen, Guangdong, China. Its principal business is production and sales of automotive products
Customer J	3,710	0.7%	Autonomous driving solutions and products and autonomous driving related R&D services	90 days after invoice date	2022	A company located in Wuhu, Anhui, China. Its principal business is production and sales of automotive products
<b>Total</b>	<b>537,881</b>	<b>99.0%</b>				

## BUSINESS

To the best of our knowledge, all of our five largest customers in each period during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers in each period during the Track Record Period.

### Our Relationship with Geely Group

In 2021 and 2022 and for the six months ended June 30, 2023, Geely Group was our largest customer. For the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, our revenue from Geely Group was RMB94.5 million, RMB1,277.5 million and RMB516.0 million, respectively, which accounted for 53.0%, 96.4% and 95.0% of our total revenue during the same periods. Geely Group is a leading multinational automotive conglomerate principally engaged in the R&D, manufacturing and trading of automobiles, automobile parts and related automobile components. During the Track Record Period and up to the Latest Practicable Date, we maintained a stable relationship with Geely Group and there was no material interruption or dispute in respect of our cooperation with Geely Group. However, we cannot guarantee that Geely Group will continue to partner with us or will not reduce its business with us. In recent years, Geely Group has started developing its various in-house autonomous driving capabilities for its vehicle models, and it is also collaborating with other suppliers to develop autonomous driving solutions. Furthermore, to our knowledge based on discussion with Mobileye, Polestar may collaborate with another system integrator to incorporate Mobileye’s next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages. Given our substantial revenue concentration on Geely Group, if Geely Group decides to terminate or decrease the level of its cooperation with us in the future, it may result in a material and adverse effect on our business, financial condition and results of operations. For details, see “Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations.”

The following table below sets forth a breakdown of our revenue from Geely Group by product for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2020		2021		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>							
Sales of SuperVision™	–	–	86,009	91.0%	1,241,908	97.2%	508,790	98.6%
Sales of iFC	–	–	–	–	2,083	0.2%	4,919	1.0%
Provision of R&D services	–	–	8,514	9.0%	33,498	2.6%	2,333	0.4%
<b>Total</b>	–	–	94,523	100.0%	1,277,489	100.0%	516,042	100.0%

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, to the best knowledge of our Company, there had been no past or present relationship (family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between us, including our subsidiaries, their directors, shareholders, senior management and any of their respective associates, with Geely Group.

### ***Key Terms of The Framework Purchasing Agreement for SuperVision™***

Set out below is a summary of our framework purchasing agreement with Geely Group for SuperVision™ solution in ZEEKR 001 and certain other projects with Geely Group are subject to the similar provisions:

- *Product specifications.* We are engaged by Geely Group as a non-exclusive supplier to develop a level 2+ autonomous driving solution following the product specifications listed in the agreement.
- *Indemnification.* We are obligated to indemnify Geely Group for any loss or damage suffered by the Geely Group as a result of our breach of the framework purchasing agreement and/or any purchase orders.
- *Payment for R&D services.* We agreed to collect service fees from Geely Group and pay on behalf of Geely Group to Mobileye, who provides R&D services for the development of software utilized in SuperVision™.
- *Amendments.* Amendments can be made upon written agreement between Geely Group and us.
- *Termination.* Geely Group is entitled to termination upon written notice in accordance with the general purchasing terms and conditions mutually determined by both parties. The framework purchasing agreement does not provide for specific provisions regarding its duration or renewal.

In the event that we breach the framework purchasing agreement and/or any purchase orders (for example, if we fail to deliver products or to complete the project on time), the indemnification clause in our agreement with Geely Group would be triggered. During the Track Record Period and up to the Latest Practicable Date, there was no incident that could have triggered the indemnification clause under our agreement with Geely Group.

In addition, if an end consumer suffers personal or property damage due to the quality problems of our products, Geely Group and the end consumer shall have the right to request us to assume the corresponding product liability. To be more specific, according to the PRC Civil Code (《中華人民共和國民法典》), if a product has defects that cause damage to others, the manufacturer shall bear the liability for infringement, and the infringer may request compensation from the manufacturer of the product or from the seller of the product. Where a defect is caused by the manufacturer, the seller who has paid compensation has the right to indemnification against the manufacturer. And according to the PRC Product Quality Law



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(《中華人民共和國產品質量法》), if a product has defects that cause personal injury or property damage other than the defective product, the manufacturer shall be liable for compensation. See “Regulation — Regulations on Project Liability.”

As a result, we are legally obligated to assume the product liability in the event of any quality defects in our products that result in personal or property damage. If such claims arise from product defects in components we procure from our suppliers, we may have the right to request them to assume the corresponding product liability. However, we may be subject to a higher product liability towards Geely Group due to two key factors. Firstly, our warranty period for Geely Group (three to five years) may be longer compared to the warranty period provided by our suppliers. Secondly, there may be limitations on the liability provided by our suppliers. For example, Mobileye’s cumulative liability towards us is limited to a maximum of US\$40.0 million.

See “Risk Factors — Our business may suffer from claims relating to, among other things, actual or alleged defects in our solutions and products, or if our solutions and products actually or allegedly fail to perform as expected, and publicity related to these claims could harm our reputation and decrease demand for our solutions and products or increase regulatory scrutiny of our solutions and products.”

### *Reasons for Our Customer Concentration on Geely Group*

We believe that the high customer concentration on Geely Group for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 is attributable to the following factors:

- Close cooperation between OEMs and autonomous driving solution providers whereby both parties are committed to establishing a stable supply relationship is an industry norm. According to Frost & Sullivan, to ensure the stability of the supply of autonomous driving solutions and products, OEMs often maintain stable and long-term cooperative relationships with its autonomous driving solution providers with respect to a specific vehicle model, and *vice versa*. According to the same source, it is also an industry norm for autonomous driving solution providers to derive a substantial portion of its revenue from its major customer(s), especially in the early stage of such companies, when they have relatively limited product categories due to limited resources and capability devoted to R&D and market expansion.
- The revenue generated from our sales of autonomous driving solutions and products was positively correlated with the unit price of our product sold to the OEMs and the sales volume of vehicle models on which our solutions and products are installed. As compared to other vehicle models of our customers where our solutions and products are installed during the Track Record Period, ZEEKR 001 was a premium BEV model recorded with significant sales volume, which contributed to our customer concentration on Geely Group.

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- Customer concentration at early stage of our commercialization could maximize the production and operating efficiency of our Company, laying a solid foundation for our further growth. In light of the relatively limited product categories of us at the beginning of its commercialization, we adopted a key customer strategy to devote our R&D and personnel resources to certain key customer to demonstrate our technology development capabilities and build track record for providing autonomous driving solution and products.
- SuperVision™ focuses on the premium BEV market where the number of OEMs was relatively limited. When we started to cooperate with Geely Group on the development of advanced driving solution in October 2020, the number of OEMs which launched premium BEV models was relatively limited among the entire vehicle market, according to Frost & Sullivan, which partially led to the customer concentration on Geely Group after series production of ZEEKR 001.

Our Directors believe that our Group’s business model is sustainable despite our customer concentration due to the following factors:

- Our relationship with Geely Group is based on mutual achievements and win-win collaboration.
  - (i) We can well understand Geely Group’s needs and work towards achieving the desired results in a more efficient and cost-effective manner. Compared to our competitors who focus on either hardware or software in autonomous driving technology, we have the R&D, commercialization and production capabilities to provide comprehensive autonomous driving solutions and products with the integration of the hardware and software, which is welcomed by Geely Group.
  - (ii) The mutual achievement and win-win collaboration with Geely Group are also directly reflected in the rapid growth of sales volume of ZEEKR 001. According to Frost & Sullivan, ZEEKR 001 ranked the second in premium electric vehicles in China in terms of sales volume in 2022 and is the only Chinese premium pure electric model in the monthly 10k units sales club. Having been recognized by Geely Group for our superior autonomous driving solutions and products, we were selected as the supplier of autonomous driving solution for ZEEKR 009, which started series production in January 2023. Such mutually beneficial cooperation helps ZEEKR establish its position in the NEV market and further increase its market share in the NEV industry, which in turn enhances our Group’s reputation, strengthens brand awareness and solidifies the track record required to collaborate with other OEMs.

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- (iii) As we were the sole autonomous driving solution supplier of ZEEKR 001 and ZEEKR 009 for their AD domain controller during the Track Record Period and up to the Latest Practicable Date, and such arrangement is expected to remain the same thereafter, with the continuous growth in sales volume of ZEEKR 001 and the commencement of series production of ZEEKR 009, the potential demand for our autonomous driving solutions and products will continue growing, which in turn will generate sustainable revenue for us in the near future. In addition, through the installment of our autonomous driving solutions and products on ZEEKR vehicles, along with the achievement of the series production of ZEEKR 001 and ZEEKR 009, we have also been able to keep accumulating know-how in autonomous driving solutions and products, which in turn will further strengthen our leading position and competitiveness in the industry.
- (iv) As of the Latest Practicable Date, we were one of the important collaboration partners among all overseas and domestic collaboration partners of Mobileye in the PRC and were an important collaboration partner of Mobileye on the SuperVision™ solution in the PRC. Therefore, Geely Group may benefit from our relationships with Mobileye and there is little likelihood that Geely Group will procure SuperVision™ from Mobileye directly or from another collaboration partner of Mobileye. For details, see “— Likelihood of Geely Group Directly Procuring SuperVision™ from Mobileye” and “— Likelihood of Geely Group Procuring SuperVision™ from Another Collaboration Partner of Mobileye.”
- According to Frost & Sullivan, the typical lifecycle of a vehicle model (from the launch date to the discontinuation of sales) ranges from approximately five to six years, based on its sales performance. Considering the high costs and barriers for replacing Tier-1 AD domain controller suppliers, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects, or major disputes between the OEMs and such suppliers, the existing Tier-1 AD domain controller suppliers of a specific model will generally not be replaced by the OEMs. A switch in Tier-1 AD domain controller suppliers incurs potential risks in production interruption for existing models and thus such switch is rare.

In recent years, Geely Group has also started developing its various in-house autonomous driving capabilities for its vehicle models. However, we believe that our relationship with Geely Group is not likely to be terminated or otherwise materially adversely affected. We, on the one hand, will continue developing our autonomous driving technology to meet the evolving technical requirements and standards of Geely Group to solidify our leading market position, and on the other hand, have been actively seeking opportunities to work with other OEMs to diversify our customer base and develop new vehicle models.

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- Leveraging the expanding NEV market, our increasing marketing efforts and well-rounded capabilities, we are able to seize the growing opportunities in autonomous driving solution market and have been continuously expanding our customer base in terms of breadth and depth. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others. In particular, we have established business relationships with the following OEMs:
  - (i) *Chery*. We are the supplier for autonomous driving solutions of Chery’s EXEED Lanyue (星途攬月) and EXEED Lingyun (星途凌雲) models, which have our iDC Mid integrated. Both Chery’s vehicle models are expected to be exported overseas in the second half of 2023. Furthermore, we received two letters of nomination from Chery in June and August 2023, respectively, for the development of autonomous driving solutions on its upcoming vehicle models.
  - (ii) *Great Wall Motor*. We started to provide R&D services to Great Wall Motor in 2021, whereby we agreed to develop AD domain controller for Great Wall Motor. We are cooperating with Great Wall Motor and expect to launch iFC 2.0 in its upcoming vehicle models.
  - (iii) *Dongfeng*. We are also collaborating with Dongfeng to launch iDC Mid on their Dongfeng Fengxing M6 (風行M6) vehicle model and to launch iFC 2.0 in their upcoming vehicle models.

### ***Likelihood of Geely Group Directly Procuring SuperVision™ from Mobileye***

Our Directors believe that there is little likelihood that Geely Group will procure SuperVision™ from Mobileye directly due to the following factors:

- It is in line with Mobileye’s business strategies to work with collaboration partners, such as our Company, which usually have deep expertise in system integration, testing and validation, and can work closely with OEMs, leveraging their localized marketing resources, to integrate technology into such OEM’s vehicle models and sell the integrated solution package to OEMs directly.
- Our relationship with Geely Group is based on mutual achievements and win-win collaboration. We can well understand Geely Group’s needs and work towards achieving the desired results in a more efficient and cost-effective manner, and our R&D, commercialization, and production capabilities are welcomed by Geely Group.

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- The providers of OTA updates must have a thorough understanding of not only the autonomous driving solution itself, but also how the autonomous driving domain interacts with other domains in the vehicle. Hence, we believe that we have a competitive advantage over our peers when it comes to delivering consistent OTA updates and maintaining after-sales customer service. This advantage stems from our previous experience in system integration and validation, which enables us to efficiently manage both the cost and time associated with the OTA updates. Furthermore, if Mobileye intends to offer OTA updates directly to OEMs, it may necessitate a substantial investment in developing a customized set of testing equipment from scratch. Consequently, partnering with us for consistent OTA updates and after-sales customer services may prove to be a cost-effective solution for both Mobileye and the OEMs. We currently provide after-sale OTA updates and related customer services for ZEEKR 001 to Geely Group, which substantiates Geely Group's need to continue engaging us for the autonomous driving solution on ZEEKR for a longer period of time.

### ***Likelihood of Geely Group Procuring SuperVision™ from Another Collaboration Partner of Mobileye***

Our Directors are of the view that the likelihood that Geely Group will procure SuperVision™ from another collaboration partner of Mobileye is relatively low, due to the following factors:

- There will be significant costs and barriers to replacing us as the provider of autonomous driving solutions. A switch in autonomous driving solution providers incurs potential risks of production interruption for existing vehicle models. Changing a collaboration partner for an autonomous driving solution would be less cost effective for OEMs.
- As of the Latest Practicable Date, we were one of the important collaboration partners among all overseas and domestic collaboration partners of Mobileye in the PRC and were an important collaboration partner of Mobileye on the SuperVision™ solution in the PRC. Our extensive knowledge of both the technical requirements of Geely Group and the hardware and software developed by Mobileye creates a significant competitive advantage over our competitors. Therefore, it may be difficult for Geely Group to find an alternative partner in a timely manner or at all without interrupting the manufacturing and sales of the existing vehicle models.

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- Autonomous driving solution development and production usually involve a relatively long R&D and validation cycle and a high cost. To the best of our knowledge, if Geely Group intends to replace us with another Tier-1 supplier for our ongoing projects, it would require a substantial time investment for the new supplier to become acquainted with the entire system and products, even if there is no requirement for them to go through the entire R&D and validation cycle. This process involves preparing development and testing tools, establishing a suitable testing environment, and enhancing their expertise in failure analysis. It is estimated that approximately six months of lead time would be necessary in this process. Furthermore, if Geely Group plans to collaborate with a new Tier-1 supplier for the SuperVision™ system in developing new vehicle models, they would need to undergo a thorough product validation process. The aforementioned factors represent significant time and cost commitments OEMs need to incur to change their autonomous driving solution providers.
- Switching between autonomous driving solutions and autonomous driving solution providers may raise safety concerns if the replacing autonomous driving solution providers have not collaborated with the OEMs on such specific vehicle models when they first entered series production. Therefore, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects or major disputes between the OEMs and autonomous driving solution providers, the existing autonomous driving solution providers of a specific model, such as our Company, will generally not be replaced by the OEMs, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, we maintained a stable relationship with Geely Group and there was no material interruption or dispute in respect of our cooperation with Geely Group.
- We have on-going projects with Geely Group following the series production of ZEEKR 001 and 009. Two additional brands under Geely Group, Polestar and Smart, are expected to launch SuperVision™ globally in one of their upcoming electric vehicle models, beginning in 2023. In June 2023, we also received a letter of nomination associated with another luxury brand under Geely Group for the development of autonomous driving solutions in an upcoming vehicle model.

As a result, OEMs are generally cautious about switching their autonomous driving solution providers, and the likelihood that Geely Group procures SuperVision™ from Mobileye directly or from another collaboration partner of Mobileye is low.

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### *Likelihood of Geely Group replacing SuperVision™ with alternative autonomous driving solutions*

Our Directors are of the view that the likelihood of the Geely Group replacing SuperVision™ with alternative autonomous driving solutions in vehicles already equipped with it is low, which is primarily based on the following reasons:

First, SuperVision™ is recognized as a well-established autonomous driving solution at the level 2+ level autonomous driving. The technology behind SuperVision™ has achieved a high level of maturity, having undergone extensive safety validations across various vehicle models and maintaining a strong safety record. Secondly, the SuperVision™ system is among the few advanced autonomous driving systems available in the market, making it challenging for OEMs to swiftly identify and adopt alternative solutions without affecting the delivery of current vehicle models. Thirdly, OEMs generally avoid replacing autonomous driving solutions in existing vehicle models. As mentioned previously, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects or major disputes between the OEMs and autonomous driving solution providers, the existing autonomous driving solution providers of a specific model, such as our Company, will generally not be replaced by the OEMs, according to Frost & Sullivan.

Admittedly, as autonomous driving technology continues to evolve, OEMs will consider gradually adopting more advanced solutions. However, the selection of a specific solution is driven by market forces, presenting both opportunities and challenges for our Company in a competitive market. Firstly, when OEMs make decisions regarding transitioning to a new autonomous driving solution, they consider a range of factors. It is common for OEMs to continue their collaborations with existing Tier-1 suppliers, considering their past successful partnerships and collective experience in implementing autonomous driving solutions. Our successful partnership with Geely Group over the past years establishes a solid foundation for future development. Secondly, as technology iterates, there may be more advanced solutions available, but we are actively engaged in close communication with our upstream suppliers, striving to establish new collaboration in upcoming projects. Thirdly, while market competition intensifies with technological advancements, our self-developed iDC High solution is expected to provide OEMs with a cost-effective choice, offering the opportunity to capture a substantial market share.

### **OUR SUPPLIERS**

Our suppliers primarily consist of raw materials and components suppliers, including suppliers for automotive-grade chips, mechanical parts, optical components, and electrical parts. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, purchases from our five largest suppliers in each period in aggregate accounted for 53.4%, 78.9%, 96.0% and 95.0% of our total purchases, respectively, and purchases from our largest supplier in the relevant periods accounted for 23.2%, 54.6%, 69.2% and 90.3% of our total purchases, respectively.

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The following table sets forth details of our five largest suppliers in each year/period during the Track Record Period:

Supplier	Purchase (RMB'000)	% of total purchases in same year	Services/ goods purchased	Credit terms	Commencement of business relationship	Background of the supplier
<i>For the year ended December 31, 2020</i>						
Supplier A	9,752	23.2%	LED lights	60 days after invoice date	2018	A company located in Yancheng, Jiangsu, China. Its principal business is manufacturing and sale of PCBA and NEV components
Mobileye	5,722	13.6%	The base version of AD domain controllers, SoC and research and development services	30 days from the date of invoice	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier B	2,495	5.9%	Research and development services	Prepayment	2020	A company located in Shanghai, China. Its principal business is technical development and consultation in the fields of automotive technology
Supplier C	2,312	5.5%	PCB	30 days after invoice date	2019	A company located in Meizhou, Guangdong, China and listed on the Shanghai Stock Exchange. Its principal business is manufacturing, design and sale of PCB electromechanical equipment, semiconductor and components
Supplier D	2,177	5.2%	PCB	30 days after invoice date	2019	A company located in Suzhou, Jiangsu, China. Its principal business is research and development and sale of electronic products
<b>Total</b>	<b>22,458</b>	<b>53.4%</b>				



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<u>Supplier</u>	<u>Purchase</u> <i>(RMB'000)</i>	<u>% of total purchases in same year</u>	<u>Services/ goods purchased</u>	<u>Credit terms</u>	<u>Commencement of business relationship</u>	<u>Background of the supplier</u>
<i>For the year ended December 31, 2021</i>						
Mobileye	78,371	54.6%	The base version of AD domain controllers, SoC and research and development services	30 days from the date of invoice	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier A	11,554	8.1%	LED lights	60 days after invoice date	2018	A company located in Yancheng, Jiangsu, China. Its principal business is manufacturing and sale of PCBA and NEV components
Supplier E	11,450	8.0%	Cameras	60 days after invoice date	2020	A company located in Yuyao, Zhejiang, China. Its principal business is design, research and development, manufacturing and sale of optical and optical-related products
Supplier F	8,148	5.7%	Cameras and sensors	60 days after invoice date	2021	A company located in Shenzhen, Guangdong, China and listed on the Shenzhen Stock Exchange. Its principal business is manufacturing and sale of optical products
Supplier G	3,607	2.5%	Integrated circuits	30 days after invoice date	2020	A company located in Shijiazhuang, Hebei, China. Its principal business is research and development of computer software, electronic products and electronic components
<b>Total</b>	<u>113,130</u>	<u>78.9%</u>				

**BUSINESS**

<u>Supplier</u>	<u>Purchase</u> <i>(RMB'000)</i>	<u>% of total purchases in same year</u>	<u>Services/ goods purchased</u>	<u>Credit terms</u>	<u>Commencement of business relationship</u>	<u>Background of the supplier</u>
<i>For the year ended December 31, 2022</i>						
Mobileye	921,701	69.2%	The base version of AD domain controllers, SoC and research and development services	30 days from the date of invoice	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier E	196,748	14.8%	Cameras	60 days after invoice date	2020	A company located in Yuyao, Zhejiang, China. Its principal business is design, research and development, manufacturing and sale of optical and optical-related products
Supplier F	144,620	10.9%	Cameras and sensors	60 days after invoice date	2021	A company located in Shenzhen, Guangdong, China and listed on the Shenzhen Stock Exchange. Its principal business is manufacturing and sale of optical products
Supplier A	8,196	0.6%	LED lights	60 days after invoice date	2018	A company located in Yancheng, Jiangsu, China. Its principal business is manufacturing and sale of PCBA and NEV components
Supplier H	7,386	0.6%	SoC	30 days after invoice date	2018	A company located in Shanghai, China. Its principal business is sale of electronic products, computers and semiconductors
<b>Total</b>	<u>1,278,651</u>	<u>96.0%</u>				

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Supplier	Purchase (RMB'000)	% of total purchases in same year	Services/ goods purchased	Credit terms	Commencement of business relationship	Background of the supplier
<i>For the six months ended June 30, 2023</i>						
Mobileye	324,244	90.3%	The base version of AD domain controllers, SoC and research and development services	30 days after invoice date	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier J	5,801	1.6%	Optical components	60 days after invoice date	2021	A company located in Nanchang, Jiangxi, China. Its principal business is manufacturing and sale of optical products
Supplier I	4,351	1.2%	IC	30 days after invoice date	2021	A company located in Shanghai, China. Its principal business is sale of electronic products, vehicle components and semiconductors
Supplier F	4,296	1.2%	Cameras and sensors	60 days after invoice date	2021	A company located in Shenzhen, Guangdong, China and listed on the Shenzhen Stock Exchange. Its principal business is manufacturing and sale of optical products
Supplier K	2,545	0.7%	Data annotation service	30 days after invoice date	2022	A company located in Baoding, Hebei Province, China. Its principal business is providing information system integration services
<b>Total</b>	<b>341,237</b>	<b>95.0%</b>				

One of the member companies of supplier B, Shanghai Yingxue Automotive Technology Co., Ltd. (上海應雪汽車科技有限公司) (“**Shanghai Yingxue**”) was established in the PRC on January 4, 2018. Upon its establishment, Shanghai Yingxue was wholly-owned by our Company. In December 2019, our Company disposed of all interests in Shanghai Yingxue to an Independent Third Party. Shanghai Yingxue has ceased to be our subsidiary since then. For details, see “History and Corporate Structure — Our Subsidiaries — Disposal of Shanghai Yingxue.”

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Except for Shanghai Yingxue, to the best of our knowledge, all of our five largest suppliers in each period during the Track Record Period are independent third parties and none of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers in each period during the Track Record Period.

### **Supply of Raw Materials and Components**

We generally have two kinds of procurement needs. One is from our product teams based on their respective production plan, and the other is for our strategic reserves in the future. We have a dedicated team to procure components and raw materials to meet the specific requirements of our autonomous driving products. The main raw materials used in the production of our autonomous driving products include mechanical parts, fasteners, packaging materials and consumables, and the key components used in the production of our autonomous driving products include automotive-grade chips, electronic units, and PCB. The raw materials and key components of our autonomous driving products are generally available from multiple suppliers in China and overseas at varying costs. In general, we intend to pass on increases in cost of raw materials to our customers if such increases affect our business operation and profit margin. We also actively monitor the inventory levels of our raw materials and we will adjust our stock quantities accordingly to mitigate potential risks in raw material price fluctuations. Although most raw materials and key components essential to our products are generally available from multiple sources, a few components, such as automotive-grade chips, may at times be subject to industry-wide shortage, significant pricing fluctuations and long supply cycles. For example, following the supply chain disruptions to semiconductor manufacturers due to the COVID-19 pandemic and associated restrictions, there was a global chip shortage in 2021. Due to the industry-wide chip shortages, Mobileye applied a non-cancellable non-refundable policy to the procurement of the base version of AD domain controllers and required us to provide a binding forecast of our procurement. See “— Our Suppliers — Our Relationship with Mobileye — Key Terms of the Product Sales Agreement for the Base Version of AD Domain Controllers with Mobileye” and “Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers.”

We seek to work with key material and component suppliers directly to foster long-term and in-depth cooperation. We have arrangements with some of our suppliers for our key raw materials and components, pursuant to which we may negotiate certain customized needs with such suppliers. In general, pursuant to such arrangements, we make separate purchase orders and negotiate the prices and volume of each purchase order. To reduce the risk of obsolete inventory, we normally make purchase orders on a rolling basis. We firstly receive the demand forecasts from OEMs, and then we normally provide our suppliers with a non-binding purchasing forecast for the following six months based on customers’ demand forecasts, and place purchase orders on a monthly basis to reflect customers’ actual demand. When there is

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a change in customers’ procurement forecast that affects our order placement with suppliers, we will require customers to join our negotiations with such suppliers to update our procurement forecast and, as a result, lower our inventory risk by leveraging our joint bargaining efforts. See “Risk Factors — If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.” In the event of quality issues with raw materials, we generally have the right to exchange or return the goods. For some types of raw materials, the supplier will bear all the related costs. The agreements typically have a term of 12 months, which may be extended for five years if not terminated in writing by either party.

We believe we have sufficient alternative suppliers for raw materials and components that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers.

### **Our Relationship with Mobileye**

Mobileye is our key supplier for our autonomous driving solutions and products. SuperVision™ is based on Mobileye’s technology including the base version of AD domain controllers. Mobileye outsources the manufacturing of the base version of AD domain controllers to a third-party manufacturer. As of the Latest Practicable Date, we were not responsible for the manufacture or assembly of the hardware of SuperVision™. For SuperVision™ solution supplied to our customers, we act as the system integrator. We acquire the base version of AD domain controllers from Mobileye and provide technical expertise in the area of system, mechanical and optical engineering in tailoring and enhancing the system architecture of SuperVision™ for each different vehicle models according to the requirements of OEMs. We are responsible for vehicle integration, testing and validation, and in some projects, we also provide associated sensors procured from third-party suppliers. We provide technical advice for system architecture enhancement, with particular emphasis on optimizing the image chain to reduce latency and seamlessly integrating the parking functions with the entire system. Mobileye is also supplying SuperVision™ to other OEMs in collaboration with other Tier 1 suppliers. In 2021, 2022 and the six months ended June 30, 2023, our revenue generated from the sales of SuperVision™ amounted to RMB86.0 million, RMB1,248.8 million and RMB510.2 million, respectively, which accounted for 48.3%, 94.2% and 93.9% of our total revenue during the same periods, respectively. The intellectual property rights of SuperVision™, including its trademark and technology, belong to Mobileye. In connection with providing SuperVision™ to our customers as an advanced driving solution, we primarily provide the following services:

- *Sensor implementation.* In order to support 360-degree surround sensing, SuperVision™ is supported by a vision system consisting of 11 high-resolution cameras. The 11 cameras consist of (i) one 8-megapixel 120-degree and one 28-degree cameras in the front, (ii) four 8-megapixel 100-degree wings cameras

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(two front-facing and two rear-facing), (iii) four wide-view 195-degree parking cameras mounted on the side mirrors, front and rear bumpers, and (iv) an 8-megapixel 60-degree rear camera.

We provide our insights on the sensor layout, integrate tailor-made sensors with the base version of AD domain controllers, and install them in vehicles. We verify the optical, electrical, and mechanical specifications of the cameras and carefully source key components, such as image sensors, lenses, and connector types, to meet both technical and cost requirements of OEMs. Prior to integrating cameras into vehicles, we conduct various optical, electrical, electromagnetic compatibility, and environmental tests to ensure that they are of high performance.

- *Vehicle systems integration.* We define and verify the communication protocols among the base version of AD domain controllers, complementary ECUs, sensors and cameras based on function requirements. In addition, we perform bench tests to ensure that the system specifications are strictly satisfied and that all signals are transmitting properly. Moreover, we also assure and verify the transmitted data format between the base version of AD domain controllers and the cameras, and we ensure the consistent transmission of high-quality images and the stable status of the sensors. Our team examines the installation locations carefully, performs a variety of optical tests in vehicle environments under varying lighting conditions, and also examines the entire image transmission chain to ensure that image quality does not degrade during transmission.
- *Function testing and validation.* To ensure that SuperVision™ is properly integrated into the specific vehicle model, and that the performance of the system is of the highest quality, we develop and conduct comprehensive tests that cover a wide variety of driving scenarios, traffic situations, and weather conditions, both on test tracks and on open roads. Testing autonomous driving solutions involves exposing the vehicle to situations that trigger the system to intervene, then determining whether the system performs as designed. We evaluate whether the system can provide warnings, steering, accelerating, decelerating and appropriate emergency braking when necessary. When issues or areas of improvement are identified, we work with OEMs and partners to resolve the issues and to identify solutions to improve performance.

Mobileye was our largest supplier in 2021 and 2022 and for the six months ended June 30, 2023. During the Track Record Period, we primarily procured from Mobileye (i) the the base version of AD domain controllers for the SuperVision™ solution; and (ii) EyeQ® series SoCs for our iFC products. As of the Latest Practicable Date, SuperVision™ was equipped in three series-produced vehicle models from Geely Group’s premium electric vehicle brand, namely ZEEKR 001, ZEEKR 009 and ZEEKR 001 (European version). For each potential project, we provide a quotation document to Mobileye, which specifies detailed information about vehicle models, required features, target markets, estimated sales volumes and production time frame. Based on such information, Mobileye provides us with a price quotation. The final price is

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determined and agreed by both parties after arm’s length negotiations based on the information provided in the quotation documents. The final purchasing price of the products we purchase from Mobileye will be taken into consideration as one of the most important factors when we provide quotation to customers. A tiered pricing structure has been adopted for the base version of AD domain controllers, and the purchase price is dynamically adjusted based on the sales volume. The pricing mechanism is typically negotiated prior to the project initiation, and remains unchanged during the entire lifecycle of the vehicle. We intend to pass on any increases in purchase price to our customers if they affect our business operation and profit margin. The selling prices of our products are usually renegotiated on an annual basis throughout the vehicle’s lifecycle. While the pricing mechanism for a specific vehicle model remains unchanged between us and the supplier during the lifecycle of the vehicle model, we generally adopt a tiered pricing approach where prices vary with the sales volume. As a result of our tiered pricing strategy, we expect a reduction in the per-unit purchase price with increasing sales volume. This allows us to benefit from economies of scale, effectively mitigating the effects of the industry’s customary annual price reduction. Additionally, during our annual negotiation process with the customers, the predicted overall procurement cost for the next year based on the previous year’s price fluctuations will become one of the key factors considered when negotiating specific annual price reduction percentages. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our purchase from Mobileye was RMB5.7 million, RMB78.4 million, RMB921.7 million and RMB324.2 million, respectively, which accounted for 13.6%, 54.6%, 69.2% and 90.3% of our total purchases during the same periods. The following table below sets forth a breakdown of our purchases from Mobileye by product for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2020		2021		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>							
The base version of AD domain controllers	–	–	71,085	90.7%	893,121	96.9%	306,592	94.6%
EyeQ <sup>®</sup> series SoCs	1,486	26.0%	–	–	9,789	1.1%	14,486	4.4%
Others <sup>(1)</sup>	4,236	74.0%	7,286	9.3%	18,791	2.0%	3,166	1.0%
<b>Total</b>	<b>5,722</b>	<b>100.0%</b>	<b>78,371</b>	<b>100.0%</b>	<b>921,701</b>	<b>100.0%</b>	<b>324,244</b>	<b>100.0%</b>

*Note:*

(1) Primarily include R&D services and consumables used in R&D activities.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, to the best knowledge of our Company, there had been no past or present relationship (family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between us, including our subsidiaries, their directors, shareholders, senior management and any of their respective associates, with Mobileye.

Mobileye is also supplying SuperVision™ to other OEMs in collaboration with other Tier 1 suppliers. If there is any discontinuation, or loss of business with respect to our cooperation with Mobileye, our business, results of operations and financial condition could be materially and adversely affected. For instance, to our knowledge based on discussion with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye’s next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages. See “Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers.”

### ***Key Terms of the Product Sales Agreement for the Base Version of AD Domain Controllers with Mobileye***

Set out below is a summary of our product sales agreement for the base version of AD domain controllers with Mobileye for SuperVision™ solution that is generally applied to all SuperVision™ projects with Mobileye:

- *Scope of the agreement.* The agreement applies to all sales made by Mobileye, pursuant to all purchase orders submitted by us and accepted by Mobileye, for (i) the manufacture, sale and supply of the base version of AD domain controllers of SuperVision™, with Mobileye’s SoC embedded, (ii) licenses to Mobileye software, and (iii) provision of customization and technical support services from Mobileye for the Geely Group SuperVision™ project.
- *Terms and termination.* The agreement has a term of five years, with the expiration expected to occur in 2026. Each party may terminate the agreement in the event of a material breach of the agreement which is left uncured for a period of 30 days from written notice of the breach, or providing a 90 day prior written notice to the other party. Each party may also terminate the agreement immediately upon filing of a petition in bankruptcy, insolvency or reorganization against the other party, where such petition is not dismissed within 30 days. The agreement does not include specific renewal clause.



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- *The non-cancellable non-refundable policy.* As a result of the global shortage of semiconductor chips, we were required to provide a binding forecast of our overall purchase volumes of the base version of AD domain controllers product starting from the effective date of the agreement and until December 31, 2022 (the "Binding Forecast"). Additional binding forecasts were to be provided upon Mobileye's requests. Orders and binding forecasts for products are firm and may not be cancelled, amended, returned, or rescheduled without Mobileye's prior written approval.
- *Rolling order forecast.* Other than any binding forecasts, during the first week of each month, we are required to provide Mobileye a 24-month rolling order forecast.
- *Payment settlement.* Payments should be made by us to Mobileye net 30 days from the date of invoice except as otherwise agreed in writing.
- *Warranty.* Mobileye offers a warranty period of 36 months, ensuring that, on delivery, the base version of AD domain controllers, of SuperVision™, would be free from material manufacturing defects in material and workmanship and would materially conform to Mobileye's technical specifications.
- *Pricing.* Billing for products and services is at the prices agreed between both parties. The Company is responsible for all applicable levies, customs and duties, or taxes imposed by any governmental authority pertaining to the purchase of products and services.
- *Remedies.* If we make a valid warranty claim, Mobileye will (i) at its option and expense, within a reasonable period from its receipt of the defective product either: (a) repair the defect; (b) replace the nonconforming product with product of equal functional performance; or (c) refund or credit to us the purchase price paid by us; and (ii) reimburse us reasonable return shipping costs of the product as long as we have complied with Mobileye's return instructions. The cumulative liability of Mobileye to us is up to a limit of US\$40.0 million. During the Track Record Period and up to the Latest Practicable Date, there was no incident, including those involving defective or nonconforming products, that could have given rise to a warranty claim to Mobileye. Therefore, during the same period, the unclaimed balance of the warranty liability provided by Mobileye remained at US\$40.0 million.
- *Intellectual Property.* Software provided by Mobileye remains the property of Mobileye or its licensors. Mobileye grants us a non-exclusive license to use the software only in SuperVision™ provided to Geely Group. Subject to certain pre-conditions (including, for example, our payment of relevant license fees), Mobileye also provides us with OTA software updates for our testing and validation, prior to deployment in Geely Group vehicles.

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Given the fact that we were required to provide the Binding Forecast to Mobileye, we may be subject to risks relating to obsolete inventory. For details, see “Risk Factors — Risks Relating to Our Business and Industry — If we do not maintain sufficient inventory or if we do not adequately manage our inventory, we could lose sales or incur higher inventory-related expenses, which could negatively affect our results of operations.” With respect to the non-cancellable non-refundable policy, other than the Binding Forecast, Mobileye had not requested additional binding forecasts of the purchase volume of the base version of AD domain controllers during the Track Record Period and up to the Latest Practicable Date. Our agreement with Mobileye does not provide for any specific legal consequences to our Company in the event if Mobileye requests us to provide a binding forecast and we fail to procure in accordance with the forecasted numbers in the future. During the same period, we did not have any disputes with Mobileye, or receive any penalties, arising from the discrepancy between forecasted and actual procurement.

### *Reasons for Our Supplier Concentration on Mobileye*

The high supplier concentration on Mobileye in 2021, 2022 and the six months ended June 30, 2023 primarily resulted from the following:

- According to Frost & Sullivan, due to the early development of autonomous driving technology, there are a limited number of autonomous driving SoC providers in the market, thus the autonomous driving SoC market is highly concentrated. We had chosen to enter into cooperation with Mobileye taking into account its proven track record and strong market position in the autonomous driving SoC industry.
- With Mobileye, we offer SuperVision™ to Geely Group for its ZEEKR 001 model. Resulting from the series production of ZEEKR 001, Geely Group was our largest customer in 2021, 2022 and the six months ended June 30, 2023. Considering the relatively high unit price of the base version of AD domain controllers, and the significant sales volume of ZEEKR 001, the purchase amount of base version of AD domain controllers we procure from Mobileye out-numbered those we purchased from other suppliers.
- We also procured EyeQ® series SoCs from Mobileye to integrate into our iFC products. We procure EyeQ® series SoCs after a thorough evaluation of Mobileye’s world-level advanced technology in the SoCs and its integration with related autonomous driving functions. Compared to other major world-renowned SoC suppliers, we considered that EyeQ® series SoCs have advantages in cost and packaging convenience, and suit us the most at our early development stage.

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Our Directors believe that our Group’s business model is sustainable although the total purchase from Mobileye accounted for a majority portion of our purchase in 2021, 2022 and the six months ended June 30, 2023:

- The relationship between our Group and Mobileye is of a mutually beneficial and complementary nature:
  - (i) According to Frost & Sullivan, the autonomous driving sector is a technology-intensive industry, in which only suppliers with strong R&D capabilities, accumulated know-how and experience can capture market share among fierce competition. These technological advantages are established after a long period of collaboration and practice, and it is difficult for new entrants to overcome such barriers in a short time. Therefore, at the early stage for commercialization, our strategy is to work with leading suppliers like Mobileye to secure SoCs which are of high performance with lower power consumption to provide quality autonomous driving solutions and products to customers in a cost-effective manner. In addition, it also aligns with our Group’s key customer strategy with a business focus on providing autonomous driving solutions and products to leading OEMs as leading OEMs require the base version of AD domain controllers and SoCs incorporated in our solutions and products to be procured from suppliers with recognized market reputation and proven safety and performance records.
  - (ii) it is in line with Mobileye’s business strategies to work with collaboration partners, such as our Company, which usually have deep expertise in system integration, testing and validation and can work closely with OEMs, leveraging their localized marketing resources, to integrate Mobileye technology into such OEM’s vehicle models and sell the integrated solution package to OEMs directly. Therefore, under such circumstances, collaboration partners, such as our Company, are generally deemed to play an important role in the supply and integration of autonomous driving solutions and are highly valued by the upstream companies, including Mobileye.
  - (iii) our collaboration with Mobileye allows the supply of SoCs from Mobileye to our Group. Due to our deep understanding of the autonomous driving industry in China and proven track record for commercialization of autonomous driving solutions and products, we have been able to establish a close business relationship with Mobileye in China. As of the Latest Practicable Date, to our best knowledge, we were one of the important overseas collaboration partners of Mobileye in the PRC and were an important collaboration partner of Mobileye on the SuperVision™ solution in the PRC.
  - (iv) During the Track Record Period and up to the Latest Practicable Date, there was no interruption or material dispute or shortage of supply under the purchase orders in respect of our procurement from Mobileye.

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- We did not enter into any exclusive arrangement with Mobileye or any other existing suppliers for SoC or for SuperVision™ procurement, which provides flexibility for us to select different SoC supplier base on assessment of the products and customers’ actual needs. We are capable of developing autonomous driving solutions and products based on SoCs sourced from suppliers other than Mobileye and have been offering such solutions and products to our customers or are in the process of developing such solutions and products. For example, for the SoC for AD domain controllers, we chose to partner with Texas Instruments to procure the SoCs (i.e., TI TDA4) for iDC Mid, and to partner with Renesas to procure its SoCs (i.e., Renesas V4H) for iDC High.
- We also actively conduct R&D and testing continuously to identify cost-effective yet quality SoCs from other international or domestic SoC suppliers for our autonomous driving solutions and products and will also consider purchasing from other SoCs suppliers with suitable products offerings as it continues to enrich its solution portfolio. We believe such other suppliers are also able to provide stable supply and we do not expect any capacity constraint in this respect.

Our Directors are of the view that the risk of Mobileye ceasing to supply to us because of cannibalization between SuperVision™ and iDC series is relatively low, considering that:

- Due to the different parameters and targeting markets, there is no direct competition between SuperVision™ and iDC series. SuperVision™ and iDC series have been designed with specific features and functionalities, appealing to different segments of the market. In particular, SuperVision™ is targeted at the premium vehicles while iDC series has a target market of mid- to high-end vehicle models. As reflected in their distinct pricing strategies, SuperVision™ and iDC series cater to different customer needs and preferences.
- Mobileye has already become aware of our ongoing development of iDC series and has gained a preliminary understanding of the iDC series’ general parameters and target market. Despite this, as of the Latest Practicable Date, Mobileye had not ceased, nor have they notified us of any intention to cease, the supply to us. As of the same date, there were not any indications that our relationship with Mobileye are likely to be terminated or otherwise materially change.

However, if there is any discontinuation, or loss of business with respect to our cooperation with Mobileye, our business, results of operations and financial condition could be materially and adversely affected. For instance, to our knowledge based on discussion with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye’s next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. For details, see “Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, supply changes, and changes in business relationship, any of which could disrupt our supply chain and could delay deliveries of our products to customers.”

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### Overlapping of Customers and Suppliers

In 2022, Mobileye was also one of our top five customers. We provided Mobileye with cameras and ECUs so they could set up the test bench for SuperVision™. For the year ended December 31, 2022, our revenue generated from Mobileye amounted to RMB6.6 million, accounting for 0.5% of our total revenue.

Except for Mobileye, for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, none of our five largest suppliers in each period was also our top five customer in the same period.

Our Directors confirmed that all of our sales to Mobileye and purchases from Mobileye were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis.

### THE LINKAGE BETWEEN MOBILEYE AND GEELY GROUP

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, nil, 91.0%, 97.2% and 98.6% of our revenue generated from Geely Group relates to SuperVision™, respectively, which is based on the base version of AD domain controllers supplied by Mobileye. As of the Latest Practicable Date, we, in collaboration with Mobileye, supplied SuperVision™ for three series-produced vehicle models from Geely Group’s premium electric vehicle brand, namely ZEEKR 001, ZEEKR 009 and ZEEKR 001 (European version). The AD domain controller solution we provided for ZEEKR contributed to nil, 48.2%, 93.6% and 93.5% of our total revenue for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, respectively.

Our initial cooperation with Geely Group dates back to October 2020 when both parties started cooperation in R&D of level 2+ autonomous driving solutions. In July 2020, we engaged in initial discussions with Mobileye regarding the manufacturing and commercialization of SuperVision™. Subsequently, in August 2020, upon becoming aware of the new vehicle model planned for launch by Geely Group, further discussions took place between us and Mobileye concerning potential collaboration and work allocations for the integration of SuperVision™ on ZEEKR 001. In September 2020, we had preliminary discussion with Geely Group for the autonomous driving solution to be equipped on ZEEKR 001 and we proposed SuperVision™ as we believed it would meet the needs of Geely Group. After evaluating our engineering capabilities and features of SuperVision™, Geely Group chose SuperVision™ as the winning bid and recognized and nominated us as the supplier for the autonomous driving solutions. In October 2020, we received the letter of nomination for SuperVision™ and since then, we have become one of the key suppliers of autonomous driving solutions and products for Geely Group, especially under its ZEEKR brand.

In relation to the supply of SuperVision™, in 2021 and 2022, tripartite product waivers have been entered into among Geely Group, our Company and Mobileye, pursuant to which, (i) Mobileye did not offer a warranty for the base version of AD domain controllers of SuperVision™ acquired in 2021 and 2022. Instead, any costs and expenses related to the repair or replacement of these products due to any failure would be borne by Geely Group, and (ii) Geely Group and our Company shall indemnify, severally and jointly, Mobileye against all costs and expenses resulting from product liability claims associated with the utilization of

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base version of AD domain controllers acquired in 2021 and 2022. In this case, the warranty provided by us to Geely Group concerning SuperVision™ remains in force. However, due to these product waivers in 2021 and 2022, while Geely Group will be responsible for covering all costs and expenses associated with repairing or replacing the base version of AD domain controllers procured, we may not have the right to require Mobileye to assume the corresponding product liability concerning these products. To our knowledge, the reason behind the tripartite product waivers was the potential conflict between Geely Group’s priority to launch and deliver ZEEKR 001 on time and our priority to secure a stable supply of the base version of AD domain controllers of SuperVision™, on the one hand, and the need for Mobileye to procure alternative components due to the global shortage of semiconductor chips, on the other hand. To our knowledge, Geely Group decided to enter into the tripartite product waivers for commercial reasons as it viewed the punctual launch and delivery of ZEEKR 001 as priority and agreed to bear the additional risks associated with these alternative components. We agreed to enter into such product waivers to ensure a stable supply of SuperVision™. No waiver was signed for 2023, which, to our knowledge, was because the global supply of semiconductor chips has returned to normal and Mobileye was not expected to experience any further shortage of components of the base version of AD domain controllers in the foreseeable future. As a result, for the base version of AD domain controllers procured in 2023, we may have the right to seek reimbursement or indemnification from Mobileye arising from product liability claims or because of product defects, but if the costs and expenses exceed the limitation of liability provided by Mobileye, we may be responsible for covering those additional costs.

### BUSINESS SUSTAINABILITY

In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we recorded an adjusted loss (Non-IFRS measure) of RMB35.7 million, RMB34.1 million, RMB16.9 million, RMB33.6 million and RMB46.2 million, respectively. In 2020, 2021 and 2022, we also recorded a net operating cash outflow of RMB23.8 million, RMB62.9 million and RMB65.6 million, respectively. Our losses during the Track Record Period were primarily because:

- *Operating in an emerging market.* The autonomous driving industry is still at its early stage of development. In particular, the penetration rate of AD domain controllers for passenger vehicles was only 4.5% in 2022. To further reinforce our presence and competitiveness in the emerging autonomous driving market, we have been focusing on R&D, product development and expansion of customer base, rather than seeking short-term return or profitability.
- *Economies of scale have not yet fully materialized.* SuperVision™ has become our main source of revenue. In 2021 and 2022 and for the six months ended June 30, 2022 and 2023, the gross profit margin of our AD domain controller solutions was 5.3%, 7.4%, 6.3% and 7.2%, respectively, which was relatively low as compared to other business segments. Although the increase in gross profit margin of AD domain controller solutions indicated that we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers, the yet-to-be-fully-materialized economies of scale contributed to our losses during the Track Record Period; and

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- *We continually invest in the R&D of new products and autonomous driving technologies.* To pave the way for a long-term success in the new industry and fast-growing market, we have been focusing on developing our R&D capabilities, rather than seeking immediate financial returns or profitability. During the Track Record Period, our R&D expenses increased from RMB44.1 million in 2020 to RMB54.9 million in 2021 and further to RMB104.0 million in 2022, accounting for 92.6%, 30.8% and 7.8% of our revenue in 2020, 2021 and 2022, respectively, and increased from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023, accounting for 12.9% and 19.1% of our revenue for the same periods, respectively. Our continuing investments in the R&D led to the series production of several new autonomous driving solutions and products. In particular, the series production of iFC 2.0, our first SuperVision™ project in collaboration with Mobileye and iDC Mid started in August 2021, October 2021 and January 2023, respectively.

Despite that we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023, which is primarily due to the expected increase in R&D expenses for new autonomous driving solutions, share-based payments and [REDACTED] expenses in 2023, we have achieved a steady growth in terms of revenue and sales volume. Our revenue grew by 274.1% from RMB47.7 million in 2020 to RMB178.3 million in 2021, and further by 643.8% to RMB1,325.9 million in 2022, and grew by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. The sales volume of our AD domain controller solution during the Track Record Period, increased from 5,796 units in 2021 to 79,589 units in 2022, and from 21,272 units for the six months ended June 30, 2022 to 42,108 units for the six months ended June 30, 2023. In addition, along with our business growth, we have demonstrated a clear trajectory of profitability improvement. Our adjusted loss (Non-IFRS measure) decreased from RMB35.7 million in 2020 to RMB34.1 million in 2021 and further to RMB16.9 million in 2022, reflecting our improved operational efficiency with improving economies of scale.

In addition, we have a healthy cash balance to support our operations and future business expansion. As of October 31, 2023, we had cash and cash equivalents of RMB57.6 million, current financial assets at FVTPL of RMB181.0 million and unutilized bank facilities of RMB650.0 million. Taking into account the financial resources available to us, including our cash and cash equivalents on hand, current financial assets at FVTPL, internally generated funds, available facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

In the future, we aim to maintain sustainability and achieve profitability through: (i) continuously growing revenue and expanding sales volume; (ii) improving gross margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently.

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### Continuously Growing Revenue and Sales Volume

We have achieved a steady growth in revenue and sales volume during the Track Record Period. We expect that our revenue and sales volume growth will be driven by the following factors:

- *Favorable Market Trend.* Under the trends of vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain significant growth momentum in the future. Accordingly, the market for autonomous driving solutions and products is expected to grow rapidly in the future. For details, see “Industry Overview — Overview of the AD Domain Controller Market” and “Industry Overview — Overview of the Intelligent Front Camera Market.” We believe we are well positioned to fully capture the market potential and achieve sustainable significant growth in the future;
- *Improving Solution and Product Offerings.* We mainly provide two AD domain controller product lines, including SuperVision™, which is supplied to our customers through collaboration with Mobileye where we acquire the base version of AD domain controllers from Mobileye and then act as the system integrator, and self-designed iDC series. Apart from AD domain controllers, we also provide iFC series products. SuperVision™ for which we collaborated with Mobileye in supplies to our customers has experienced a significant increase in sales volume from 5,796 units in 2021 to 79,589 units in 2022, and from 21,272 units for the six months ended June 30, 2022 to 40,628 units for the six months ended June 30, 2023. Furthermore, the series production of iDC Mid began in January 2023. We expect that the sales volume of SuperVision™ and iDC Mid to grow robustly, primarily due to the expected rapid growth of sales volume of existing and new vehicle models which adopt our autonomous driving solutions, as well as our efforts to apply SuperVision™ and iDC products to additional vehicle models of both existing and new customers. In addition, we expect to launch more autonomous driving solutions in the future, for example, we expect to launch and deliver both iDC High and iFC 3.0 in 2024. We expect that our continuous investment in enhancing our solution and product offerings will increase our sales volume and improve our profitability; and
- *Customer Retention and Expansion.* We expect to deepen our relationships with existing customers and expand our customer base in terms of breadth and depth. We have established stable collaborations with top-tier domestic and international OEMs. In particular, as a core supplier of AD domain controllers, we have established a close partnership with Geely Group since 2020. Leveraging the expanding NEV market, our increasing marketing efforts, well-rounded capabilities and proven track record, we have been, and will be continuously expanding our customer base in terms of breadth and depth. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others.



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We intend to use the [REDACTED] from the [REDACTED] to grow our revenue. We expect to use [REDACTED] from the [REDACTED] to, among others, (i) enhance our research and development of our autonomous driving solutions and products; (ii) invest in our R&D headquarters, manufacturing premises and new production lines; and (iii) expand our sales and service network. For details, see “Future Plans and [REDACTED].”

### Improving Gross Margin

Our ability to manage and control our costs is critical to the success of our business and profitability. Driven by our rapid revenue growth, our gross profit increased significantly from RMB9.6 million in 2020 to RMB36.8 million in 2021, and further to RMB110.6 million in 2022, and from RMB23.1 million for the six months ended June 30, 2022 to RMB41.0 million for the six months ended June 30, 2023. Our gross profit margin remained relatively stable at 20.1% in 2020 and 20.6% in 2021, and decreased to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions following the series production of the SuperVision™ project in collaboration with Mobileye starting from October 2021, which had a lower gross profit margin as compared to other business segments. Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our products. We believe that we are able to continue to improve our gross profit margin, primarily due to the following factors:

- *Better product mix with higher margins.* We intend to improve our gross profit margin by launching additional autonomous driving solutions and products with higher margins. The series production of iDC Mid began in January 2023, which recorded a significantly higher gross profit margin than existing AD domain controller solution. We also expect the series production of iDC High to start in 2024, and launch of iFC 3.0 in 2024 as well. As we endeavor to apply iDC Mid, iDC High and iFC 3.0 to additional vehicle models of both our existing and new OEM customers, sales of these solutions and products are expected to contribute to a larger proportion of total sales, resulting in higher overall gross profit margin.
- *Improving production capabilities and expanding production capacity.* We intend to improve our production capabilities and the level of automation of our production lines with our internally generated funds and [REDACTED] from the [REDACTED]. In particular, we plan to further upgrade our newly-added test line, which can be used to assemble AD domain controllers and is expected to have an annual production capacity of approximately 300,000 units (based on one shift with 11 working hours per day and 250 working days per year). Although such investments may result in an increase in our capital expenditure in short term, we believe the in-house production of our products will allow us to simplify the supply chain and maintain a high-level of cost efficiency, and in turn improve our profitability ultimately.

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- *Stronger bargaining power as achieving increasing economies of scale.* The decreases in our gross profit margin from 2021 to 2022 were primarily because we generated a greater portion of revenue from sales of AD domain controller solutions in 2022 which had a lower gross profit margin as compared to other business segments. However, our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023 and our gross profit margin of AD domain controller solutions increased from 5.3% in 2021 to 7.4% in 2022, indicating that we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021. In the future, with the expected increasing sales volume of SuperVision™ and the series production of iDC Mid, we expect to benefit from the increasing economies of scale and further improve our profitability.

### **Enhancing Operating Leverage**

During the Track Record Period, we incurred significant operating expenses, including R&D expenses, administrative expenses and selling expenses, to develop, manage and promote new autonomous driving solutions. In the future, we will continue to invest in our R&D activities as well as sales and service network expansion.

During the Track Record Period, we dedicated significant resources to R&D and in developing our full-suite of R&D capabilities to launch new autonomous driving solutions and products, and maintain our market leading position. Our R&D expenses increased from RMB44.1 million in 2020 to RMB54.9 million in 2021 and further to RMB104.0 million in 2022, and from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023. Looking forward, our R&D expenses in absolute amounts are expected to increase alongside the development of our autonomous driving technologies and the expansion of our product portfolio in the future. Due to planned research and development-related investments, we expect that our R&D expenses (excluding share-based payments) as a percentage of revenue will increase in 2023 and 2024 and keep relatively stable going forward. We believe that we are able to enhance our operating leverage, primarily due to our modular approach in product development. Leveraging our self-developed middleware, algorithm, comprehensive product matrix and extensive experience in the development of autonomous driving solutions and products, we adopt a modular approach in product development. This approach enables us to respond quickly to the diverse needs of OEM customers and achieve higher cost efficiency. Furthermore, the know-how we have gained during the development of iDC Mid also allows us to offer OEMs similar products in a relatively short timeframe without incurring massive R&D expenses. A significant portion of our R&D expenses for each year/period of the Track Record Period was related to employee compensation, which does not grow proportionally with sales volume or revenue and therefore can benefit from economies of scale.

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Our administrative expenses amounted to RMB8.6 million, RMB29.7 million, RMB41.5 million, RMB14.2 million and RMB38.4 million, accounting for 18.0%, 16.7%, 3.1%, 4.0% and 7.1% of our revenue in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. From 2020 to 2022, our administrative expenses 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 expansion. Our administrative expenses increased as a percentage of revenue from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily due to the increase in [REDACTED] expenses, share-based payments and employee benefit expenses. We expect our administrative expenses in the absolute amount to increase alongside our business expansion in the future, but our administrative expenses (excluding share-based payments and [REDACTED] expenses) as a percentage of revenue will keep relatively stable. We also plan to make continuous improvement to our administrative efficiency.

Our selling expenses amounted to RMB3.0 million, RMB9.4 million, RMB27.7 million, RMB16.1 million and RMB13.6 million, accounting for 6.4%, 5.3%, 2.1%, 4.5% and 2.5% of our revenue in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. During the Track Record Period, our selling expenses as a percentage of revenue remained at a relatively low level. We expect our selling expenses in the absolute amount to increase alongside our business and service network expansion in the future. We expect our selling expenses (excluding share-based payments) as a percentage of revenue will slightly increase in 2023 due to the increase in warranty, and keep relatively stable going forward. We also plan to make continuous improvement to our sales and promotion efficiency.

## RESEARCH AND DEVELOPMENT OF OUR SOLUTIONS AND PRODUCTS

Our deep passion for innovation coupled with our strong R&D capabilities have allowed us to compete in the industry. Our team of engineers forms the foundation for our competitiveness. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. We incurred research and development expenses of RMB44.1 million, RMB54.9 million, RMB104.0 million, RMB46.4 million and RMB104.0 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

We recruit our engineers in China and place strong emphasis on the recruitment of technology specialists and senior engineers with extensive experience in the industry. We offer rewards to those who have made scientific and technological innovations and achievements, and provide share incentives for our core engineers. We have established various training programs to keep our engineers abreast of the most advanced technologies in the relevant fields.

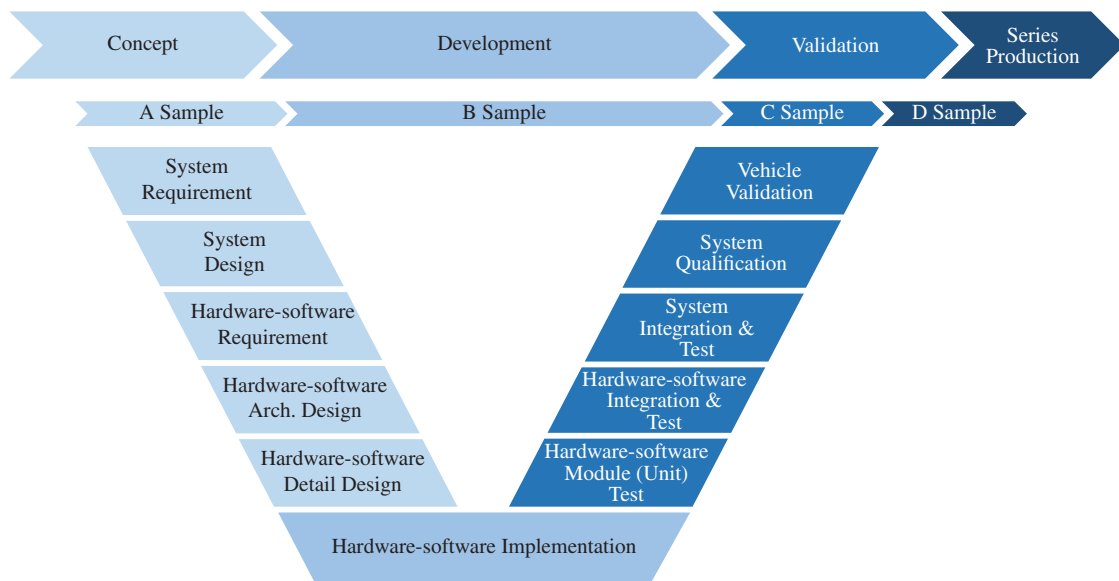
Our most important products that are currently developing are iDC High and iFC 3.0. For details, please refer to “— Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings — AD Domain Controllers — iDC High” and “— Our Autonomous Driving Solutions and Products — Our Autonomous Driving

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Solution and Product Offerings — iFC Products — iFC 3.0.” We also focus on further improving our perception, localization, decision and control algorithms and developing more level 2+ autonomous driving functions, such as Urban NoA and more advanced parking functions, for our solutions and products.

### R&D Process

We have adopted a V-model for the R&D of our autonomous driving products. In the V-Model, the entire R&D process is divided into two arms. The left arm of the V focuses on requirements analysis, function design, and product development, while the right arm concentrates on verification and validation activities. We work closely with OEMs during the entire R&D process. The following diagram illustrates the V-model for our R&D process.



We further divide the entire R&D process into three stages before series production: concept stage, development stage, and validation stage.

- *Concept stage.* At the first stage, we primarily focus on product research, such as developing proof-of-concept prototypes and exploring the feasibility of new concept autonomous driving products beyond our current product lines. We also work closely with our OEM customers to further develop our design, and they conduct supplier evaluation process simultaneously. Upon completion of the evaluation process, generally, OEMs (or in respect of certain vehicle models, an affiliate of the relevant OEM) issue letters of nomination to us as a commitment to form a formal cooperative relationship.
- *Development stage.* At the second stage, our R&D team works with our business development team to understand customers’ needs and optimize the autonomous driving products according to the desired specifications, ensuring that our products

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are able to satisfy our customers’ requirements. At this stage, our goal is not only to support functions required by customers, but also to design and develop solutions and products of high quality with good performance.

- *Validation stage.* At the last stage, our emphasis is on the verification and validation of our products, to test the reliability of our products and prepare for series production. In order to ensure that our products function correctly, we test them in various simulation environment and real-world scenarios.

After the development of each product, we summarize the experience and know-how we accumulate during the process into our core technologies, which help expedite the development of our next autonomous driving product.

### SEASONALITY

In general, we experienced increased demand for our autonomous driving solutions and products during the second half of the calendar year, compared to the first half of the year, which is consistent with the practice of the automobile industry, according to Frost & Sullivan. The aforementioned industry practice is primarily related to the exhibitions and promotion activities held during September and October which stimulate higher demand in the following months until Chinese New Year. As a result, we expect to record higher revenue generated from sales of autonomous driving solutions for the second half of the year, than the first half. The provision of our autonomous driving-related R&D services and sales of PCBA products does not have significant seasonal or cyclical fluctuations. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be fully indicative of, our future operating results. See “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations which could have a material impact on our revenue, cash flow and operating results.”

### INTELLECTUAL PROPERTY

We regard our patents, trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of the Latest Practicable Date, we had six registered trademarks, six trademark applications, 11 issued patents and seven patent applications in the PRC which we consider to be or may be material to our business. As of the same date, we had one registered domain name. In addition, we had 18 issued patents and eight patent applications related to level 3 and level 4 autonomous driving as of the Latest Practicable Date. As of the same date, we had registered patents for all our core technologies. For details, see “Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights.”

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We seek to protect our technology and associated intellectual property rights through a combination of know-how, patent, copyright, and trademark laws, as well as internal procedures and policies, and other contractual protections. We enter into confidentiality and non-disclosure agreements with our employees, our suppliers, outsourcing partners, and other business partners to protect our proprietary rights. The agreements we enter into with our employees also provide that all patents, software, inventions, developments, works of authorship, and trade secrets created by them during their employment are our properties. We have employed internal policies, confidentiality agreements, encryptions, and data security measures to protect our proprietary rights. However, there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors — We may be subject to intellectual property infringement claims, which may be time-consuming and would cause us to incur substantial costs.”

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

### CUSTOMER SERVICE AND WARRANTY

In our ongoing efforts to maintain customer satisfaction and improve our products and services, we have a high-quality after-sales team to provide comprehensive after-sales service. We have a dedicated team in China to provide before- and after-sales services to our customers. They can diagnose issues and identify the solutions and products for the customers’ problems.

We typically offer a standard product warranty to customers of our products. The basic warranty period for our products is typically three to five years or 150,000 kilometers. During the warranty period, for any product quality issue with either our software or hardware which is caused by our fault, we will make repair or replacement free of charge under certain conditions. Warranty services are provided differently based on detailed quality issues. For issues with our software, we will provide on-site or remote update to the software at issue. For issues with our hardware, we will provide one-to-one replacement or repairment of components. For product damage caused by the customer’s own improper operation, we will provide repair services with charge. Apart from monitoring our product quality through the internal control process to minimize the chance of quality issues, we also review and assess our risk bearing ability from time to time. As of the Latest Practicable Date, we were in the process of negotiation with insurance companies to purchase product liability insurance. Such product liability insurance under negotiation is expected to cover standard product liability for our AD domain controllers for ZEEKR models in mainland China, including claims for third parties’ injuries and property damages due to our product defect, relevant litigation expenses, as well as certain claims for expenses incurred in connection with product recall. Limits of indemnity in the draft insurance policies range from USD5.0 million to USD15.0 million for each claim and as annual aggregate, i.e., the maximum amount of indemnity per claim that the insurer bears, represents certain amount between USD5.0 million and USD15.0 million, and the

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maximum amount of indemnity for all claims occurred in one year on an aggregated basis is the same amount. The relevant premium is expected to be between approximately RMB3.0 million and RMB5.4 million per year. Our Directors are of the view that it is commercially feasible to obtain such product liability insurance. Furthermore, our Directors consider the coverage of limits of indemnity is sufficient for our present operations, based on (i) the evaluation of our business scale, (ii) absence of any material product liability claim during the Track Record Period, (iii) our robust internal quality control and risk management measures, and (iv) a thorough assessment of the market practice and the coverage options available based on our consultation with various insurance companies. During the Track Record Period, we had only one product returned in relation to a noise issue. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had provisions for warranty of nil, RMB0.2 million, RMB2.8 million and RMB7.8 million, respectively.

As advised by our PRC Legal Advisors, according to the PRC Civil Code (《中華人民共和國民法典》), if a product has defects that cause damage to others, the manufacturer shall bear the liability for infringement, and the infringed party may request compensation from the manufacturer of the product or from the seller of the product. Where a defect is caused by the manufacturer, the seller who has paid compensation has the right to indemnification against the manufacturer. And according to the PRC Product Quality Law (《中華人民共和國產品質量法》), if a product has defects that cause personal injury or property damage (other than the damage of defective product itself), the manufacturer shall be liable for compensation. Therefore, if it is proved that a traffic accident occurred due to a defect of our product, causing personal and other property damage, we need to bear compensation responsibility. Moreover, according to the Implementing Measures for the Administrative Regulations on the Recall of Defective Auto Products (Revised in 2020) (《缺陷汽車產品召回管理條例實施辦法(2020年修訂)》), the manufacturers of automobiles and automobile trailers (the “Automobile Manufacturers”) shall be responsible for recalling defective automobiles, and we, as the auto part manufacturer, shall report information concerning defective Automobiles to the SAMR, and notify the Automobile Manufacturers. The SAMR and entrusted provincial market regulatory departments shall have the power to conduct on-the-spot investigation on the premises of auto part manufacturers, and auto part manufacturers shall render assistance during defective automobile investigation and furnish relevant information as required in the investigation. Furthermore, according to the related contract between our Company and relevant customers, our Company shall be liable for any losses caused to customers due to the quality of the products provided by our Company. Meanwhile, if a customer finds any quality problems in the products provided by our Company in such links as the receipt, inspection, use and after-sales, the customer may require our Company to replace, return the goods or repair the product, refuse to pay the purchase price, or claim compensation or other similar treatment according to actual situations.

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### DATA PRIVACY AND SECURITY

#### Data Privacy

During the Track Record Period, we engaged a third-party map maker to record videos and collect data on certain public roads and parking lots in order to train our autonomous driving algorithms. The data was first desensitized and anonymized by the third-party map maker before being provided to us in the form of images. As a result, we had no access to raw data other than those that had been desensitized and anonymized. These data processing tasks were carried out in a test environment.

Our customers own the data collected by them and may transmit to us for OTA updates or product maintenance in the future. We will have the authorization to use desensitized and anonymized data for research and development of our autonomous driving solutions and products. Other than described above, we do not process any personal data of drivers, or any data collected during the operation of vehicles installed with our autonomous driving solutions and products, including the driving behaviors.

We store the data collected and generated in the course of business operations in Chinese mainland. In particular, the desensitized image data collected by us stored in a rented cloud server, with the cloud server node located in Shanghai and using the same city backup function. Our daily business operation data was stored in a local server room located in Suzhou. According to our data storage system, the data storage period is as follows: (i) for data with a minimum storage period specified by law, storage is carried out in accordance with the requirements; and (ii) for data with no storage period specified by law, we determine the storage period in accordance with our business strategy.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not encountered any material data or personal information leakage, and the data we possessed and stored had not been used in a way in violation with human rights. If the possibility of a threat to human rights subsequently arises, we will take timely measures to fully protect human rights in accordance with relevant laws and regulations and industry best practices.

#### Data Security

The security and protection of our operational data in accordance with the PRC Cyber Security Law are one of our highest priorities.

We have put in place comprehensive internal policies on protecting data security and have established a chief technology officer-led cyber and data compliance committee. Our internal control system focuses on data security and protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control protocols cover the full lifecycle of data processing including data collection, data transportation, data storage security, data backup and recovery, data processing and risk analytics, proper use of data, data destruction and disposition.



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Set forth below are the details of the measures we have taken to protect data security.

- *Comprehensive data governance and related internal control measures.* We have achieved complete data desensitization and anonymization at the storage level and put in place a comprehensive employee confidentiality system, and data usage approval procedures to ensure security of our database. We have established an all-round information system in compliance with the proper level data security requirements. Our data protection and privacy policies are focused on ensuring that: (i) our collection of data is conducted in accordance with applicable laws and regulations, and (ii) minimize the risk of data leakage. We maintain strict control over access to data and strict assessment and approval procedures to prohibit invalid or illegitimate uses. We manage access to data based on strict necessity and maintain records of data access. Our policies require new products and services that involve access to or processing of data to be subject to assessment and approval procedures. We store data in accordance with applicable laws and regulations. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.
- *Strict data retention policy, data architecture and encryption measures.* We use various encryption technologies at software and hardware levels to protect the transmission and storage of data, and conduct comprehensive testing and assessment to determine the efficiency of our data processing and management technologies. We have implemented logging and monitoring, data encryption, regular security audits to ensure proper recording of data operation and compliance with national data security standards. We also apply system isolation, hacker blocking and bastion host to prevent system attacks. To minimize the risk of data loss or leakage, we maintain redundancy and conduct regular data backup and data recovery tests. We also leverage our technology infrastructure, cybersecurity expertise and our database to enhance the reliability, stability and security of our data.
- *Strict data access and processing policies and related internal control measures.* We manage access to operational data based on strict necessity and maintain records of data access. Access to and operation of data will be logged and monitored and subject to review. To process data for a particular purpose, such as generating insights for our autonomous driving solutions and products, the related employees in charge of the project are required to submit an application for internal review and obtain an access approval. Further, our policies require access to or processing of certain systems or software to be subject to assessment and approval procedures by our information security committee. We require all our employees to comply with our internal policies and protect data security, and we strictly prohibit unauthorized or improper collection or use of such data.

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- *Strict enforcement of data security policies.* Our information security department will investigate the event in a timely manner and we take appropriate security measures against any abnormal or suspicious requests or behaviors. In addition, we require our employees to acknowledge and sign confidentiality agreements before entering into employment contracts. Our employees have undertaken to be liable for any illegally misuse or leakage of our data or any damage caused to us. We prohibit employees from storing any work-related documents, files or data on personal devices. We also regularly organize presentations and training sessions related to data security to strengthen employees’ awareness of data security compliance.
- *Certification and accreditation of our data security management.* Our information security management system, quality management system and information technology service management system have been certified under the ISO standard. For example, we have passed IATF16949 (Automotive Quality Management Systems) and ISO 21434 (Automotive Cybersecurity Standards).
- *Algorithm governance and management.* Our algorithms primarily consist of perception, vehicle localization and controlling algorithms, which are used to support our driving and parking functions based on the fusion of semantic information and image features. During the Track Record Period and up to the Latest Practicable Date, we were not engaged in the provision of internet information services using algorithm recommendation. Therefore, as confirmed by our PRC Legal Advisors, we are not required to conduct any regulatory filing for the applications of our algorithms. We are currently establishing and implementing our internal algorithm governance measures, which include recruiting and training professionals to serve our algorithm applications, implementing technical measures as we expand our algorithm applications, and conducting regular review, evaluation and verification of the functions, models, data and applications of our algorithms.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on September 1, 2022. According to the Measures on the Security Assessment of Cross-border Data Transfer, the data processor that providing personal information or important data collected and generated in the course of business operations in the Chinese mainland to overseas recipients, in any of the following circumstances, shall apply for cross-border data transfer (“CBDT”) security assessment. Such data processors include (i) data processors that provide important data abroad (境外); (ii) critical information infrastructure operators (“CIIO”) or the data processors that have processed the personal information of over one million people and provide personal information abroad (境外); (iii) data processors that have provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year and provide personal information abroad (境外); and (iv) any other circumstance where an application for the security assessment of cross-border data transfer is required by the national cyberspace administration.

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During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, considering that we do not have any of the above circumstances, we were not subject to Measures on the Security Assessment of Cross-border Data Transfer.

On November 14, 2021, the Draft Cyber Data Security Regulation (“**Draft Regulations**”) was released by the Cyberspace Administration of China (“**CAC**”). As of the Latest Practicable Date, the “Draft Regulations” was still a draft, and it was not clear when the effective version will be issued. The Draft Regulations cover a wide range of cyber data security issues. Most of the regulatory details under the Draft Regulations have already been embodied in the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). Most of the new requirements are in relation to filing and security assessment, among others. Even if the “Draft Regulations” is implemented in its current form, the processes will still need to be established by the regulatory authorities.

We adopted comprehensive data compliance measures which cover multiple aspects and multiple processes in our business and services in accordance with relative requirements of laws and regulations related to cybersecurity and data compliance in the PRC. As advised by our PRC Legal Advisors, we are in compliance with the current requirements under the Draft Regulations in all material aspects. Therefore, the implementation of the Draft Regulations in its current form will not have a material adverse impact on our **[REDACTED]**.

In the opinion of our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had complied in material respects with applicable laws and regulations in the PRC on data privacy and security. Given that legislation, law enforcement and justice in the PRC on data privacy and security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

We have consulted with the China Cybersecurity Review Technology and Certification Center (“**CCRC**”), the organization commissioned by the Cyber Security Review Office of CAC to undertake specific cyber security reviews, of our proposed **[REDACTED]** over the phone, and received an explicit response that our Group does not need to take the initiative to report to the regulatory authorities for cybersecurity review. Given that as of the Latest Practicable Date (i) we did not received any notice or determination from competent PRC government authorities identifying it as a CIIO; (ii) we were not the data processor that possessed personal information of over one million users, and we intended to be **[REDACTED]** in Hong Kong, rather than “listed overseas” (國外上市); and (iii) we had not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, notice, warning or sanctions from the PRC government authorities, we do not need to take the initiative to apply for cybersecurity review.

Pursuant to the Draft Regulations, the applicable scope of the cybersecurity review is wider. Pursuant to Article 13 of the Draft Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, restructuring or separation of network platform operators that have

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acquired a large number of data resources related to national security, economic development or public interests, which affects or could affect national security; (ii) data processors that handle the personal information of more than one million people intend to be listed overseas; (iii) data processors seeking to be listed in Hong Kong that affect or may affect national security; or (iv) other data processing activities that affect or may affect national security.

As of the Latest Practicable Date, given that the Draft Regulations is still a draft, and it is not clear when the effective version will be issued, we cannot assure that we will not be deemed as “affect or may affect national security” in the future, and then be subject to a cybersecurity review initiated by the regulatory authorities.

As advised by our PRC Legal Advisors and to the best knowledge of our Company, we do not need to apply for cybersecurity review under the current regulatory regime, but it cannot be ruled out that the competent PRC government authorities initiate cybersecurity review on us. Due to the data categories and data process activities by our Company, the risk of us being required to undertake cybersecurity review is low.

## COMPETITION

The market for autonomous driving solutions and products is rapidly evolving and competitive, with many potential applications under development. As a result, although we believe that we have market-leading autonomous driving technology, we face competition from a range of companies developing autonomous driving solutions and products for these applications, some of which may be similar to ours. Our primary competitors include automotive suppliers who also provide autonomous driving solutions and products.

Moreover, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects, or major disputes between the OEMs and autonomous driving solution providers, the existing autonomous driving solution providers for a specific model will generally not be replaced, according to Frost & Sullivan. Therefore, we primarily compete with other autonomous driving solution suppliers for launching our solutions and products on OEMs’ new vehicle models.

We believe that we are strategically well-positioned in our market, and we compete with others favorably based on our advanced autonomous driving technology that provides superior performance, quality, and cost, automotive grade manufacturing process, and strong research and development capabilities. Additionally, we expect our product costs per unit to continue to decrease over time as production volume expands.

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### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We believe our continued growth rests on integrating social values into our business. We endeavor to utilize our autonomous driving technology and solutions to offer public welfare resources to everyone. Since the inception of our operations, we have established various environmental, social and governance initiatives to comprehensively improve our corporate governance and benefit society.

#### **Our Board’s Commitment**

Our Board is responsible for evaluating and managing material ESG issues. Our Company’s management is responsible for developing the Company’s ESG strategy, policy and reporting, including assessing and managing environmental and climate-related risks, with oversight provided by the Board.

The management of our company is specifically in charge of (i) designating a representative who will be in charge of determining the responsibilities and authority of each department head with regard to ESG matters; (ii) approving our environmental objectives and employee training plans; (iii) making sure there are enough resources available to establish, implement, and maintain the environmental management system; (iv) assessing and mitigating our ESG risks on a regular basis; and (v) taking action in response to potential environmental accidents.

#### **Compliance with Regulations**

We are subject to evolving and increasingly stringent environmental, occupational, health and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any significant accident or claim for personal or property damage made by our employees, or, as advised by our PRC Legal Advisors, subject to any material fines or other penalties due to non-compliance in relation to environmental, health or occupational safety laws and regulations, which had materially and adversely affected our financial condition or business operations.

We may be subject to more stringent compliance requirements and may incur additional costs in the future if there is any change to the existing laws or regulations. Please refer to the section headed “Regulatory Overview” and “Risk Factors — Risks Relating to Conducting Business in the PRC” in this document for more details.

#### ***Occupational, health and safety laws and regulations***

We are committed to social responsibilities and high standard of corporate governance. We are subject to various PRC laws and regulations in respect of occupational health and safety, such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》). We are committed to complying with the PRC regulatory requirements to prevent and reduce the hazards and risks associated with our operations and ensuring the health and safety of our

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employees and the surrounding communities. As of the Latest Practicable Date, our operations had not experienced any material incidents, nor are we aware of any claims for material personal or property damage relating to health and occupational safety.

### *Environmental regulation*

We are subject to extensive air, water and other environmental laws and regulations in the PRC. For example, we are subject to environmental regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Government agencies that are charged with enforcing these laws and regulations generally have the authority to inspect our facilities at any time.

We are also dedicated to reducing environmental impact throughout the production process. We implement various environmental protection measures, including installation of activated carbon adsorption devices to appropriately collect and dispose of manufacturing waste. We work with qualified third-party waste disposal service providers for other waste, including waste filters, waste activated carbon, waste oil and waste catalysts, among others.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our expenses of compliance with the applicable environmental protection laws and regulations was approximately RMB28 thousand, RMB24 thousand, RMB20 thousand and RMB24 thousand, respectively. These costs were mainly attributable to waste disposal.

### **Environmental Protection**

Apart from complying with local statutory requirements, we are committed to continuously enhancing our environmental and energy management systems that are certified to international standards ISO 14001: 2015. The effective guidelines and workflow of the said management systems are detailed in the Environmental Management Manual, which is clearly communicated to the employees and effectively implemented in order to improve its environmental practices and energy efficiency.

We annually review the abovementioned manual, and will inform our employees at all levels if there is any revision to the manual. As stated in the Environmental Management Manual, environmental protection is regarded as a management responsibility in which we have a strong commitment to complying with the applicable legal and other requirements. We strive to strike a balance between sustainable development and business growth. We are committed to reducing our resource consumption and production of wastes, and complying with the requirements of the ISO14001:2015 standard and all relevant environmental protection laws and regulations of the countries and regions where we operate.

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### *Metrics Used to Assess and Reduce Environmental Risks*

We closely monitor a number of metrics to reduce the environmental risks during the process of production and operations, which primarily include:

- *Waste discharge (including hazardous waste).* We routinely keep an eye on the way our waste is discharged. In particular, (i) we monitor the recycling of solid waste on a monthly basis with the goal of reaching a 100% recycling rate; and (ii) we monitor the emission of waste gas and water on an annual basis to make sure it complies with applicable laws and regulations.
- *Noise control.* Noise would inevitably be generated due to our business nature. With the aim to minimize noise pollution and potential disturbance to the nearby community, we have implemented the noise control system that includes a number of measures to reduce and control the noise level. Noise level is monitored at least once a year to ensure that the noise level does not exceed the prescribed level under the applicable laws and regulations.
- *Air pollution control.* Relevant measures have been established to ensure that air quality in the manufacturing premises will not pose threats to the neighboring areas. We check our waste gas processing equipment on a daily basis to ensure its functionality is on the right track to eliminate waste gas emissions.
- *Water consumption.* We conduct water consumption analysis every six months. Given the geographical location of the business operations, we did not encounter any problem in sourcing water that was fit for purpose. The total water consumption intensity (m<sup>3</sup>/revenue) was below 0.0002 throughout the Track Record Period.
- *Electricity consumption.* We conduct electricity consumption analysis monthly. The total electricity consumption intensity (kWh/revenue) was below 0.03 throughout the Track Record Period.

### *Energy consumption*

The main types of our energy we consume during our production on a daily basis include purchased electricity and fresh water. The amount of our energy and resource consumption of our production plants is as follows:

	Unit	For the Year Ended December 31,			For the Six Months
		2020	2021	2022	Ended June 30, 2023
Purchased electricity	kWh	1,268,277	1,507,334	1,192,025	644,447 <sup>(4)</sup>
Fresh water	M <sup>3</sup>	8,834 <sup>(1)</sup>	5,875 <sup>(2)</sup>	2,587 <sup>(3)</sup>	370 <sup>(4)</sup>

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*Notes:*

- (1) The number refers to the quantity of fresh water consumed between December 10, 2019 and December 10, 2020 as we only collect such information in the beginning of each month.
- (2) The number refers to the quantity of fresh water consumed between December 10, 2020 and December 13, 2021 as we only collect such information in the beginning of each month.
- (3) The number refers to the quantity of fresh water consumed between December 13, 2021 and December 12, 2022 as we only collect such information in the beginning of each month.
- (4) The number refers to the quantity of purchased electricity and fresh water consumed between December 12, 2022 and June 12, 2023 as we only collect such information in the beginning of each month.

Electricity consumption in our production plants increased from 2020 to 2021, primarily due to the expansion of our business. As we are committed to energy conservation, we have implemented the following measures to reduce our electricity consumption: (i) gradually disposing of all high electricity consumption equipment, such as industrial washing machines; (ii) purchasing equipment with high energy efficiency on the replacement of old equipment. For example, we transitioned to a more energy-saving air compressor model, substantially reducing our electricity consumption; (iii) conducting electricity consumption analysis at our manufacturing premises; (iv) requiring employees to switch off all idle machinery, appliances and unnecessary lighting upon leaving the manufacturing premises and offices; and (v) posting eye-catching reminders near lights switcher as a reminder to employees. As a result, we successfully reduced the electricity consumption in our production plants in 2022, and maintained a relatively stable level in the first half of 2023. Water consumption in our production plants decreased consistently during the Track Record Period, primarily because we gradually disposed of all high water consumption equipment, such as industrial washing machines. Furthermore, we endeavored to enhance our water management and control and implemented several measures to reduce water consumption, including (i) conducting water consumption analysis at our manufacturing facilities, and (ii) posting water-saving banners around our offices and manufacturing facilities.

We intend to continually reduce the level of our energy consumption. We target to gradually reduce the consumptions of production utilities in the following years. We will implement the following measures:

- carrying out capacity improvement, flexible manufacturing, replacement of old equipment and technological transformation;
- reasonably planning administrative vehicles, reducing the use of administrative vehicles, advocating the use of public transport and NEVs, and reducing gasoline consumption;
- clarifying the energy management responsibility system by assigning relevant responsibilities to individuals and setting up an energy management team;



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- monitoring the overall energy consumption of each unit regularly, detecting and analyzing abnormal energy consumption timely, adopting special countermeasures and a reward and punishment system, and realizing scientific management;
- promoting the application of new technologies, processes, and equipment for saving energy, while actively eliminating production lines with high energy consumption and backward production capacity, and taking energy efficiency indicators into consideration in the equipment procurement process;
- evaluating the lighting effect in the production facility and office area scientifically, and replacing the lighting equipment with LED lights or other energy-saving lightings without affecting our production and operation; and
- strengthening the education and training relating to energy emission reduction for all employees.

### *Biodegradability/recyclability of the materials used in the production of our products*

The materials we used in the production of our products include both degradable and non-degradable materials. The degradable materials mainly include paper packaging materials and metal. The other materials such as plastic used in packaging and containers are non-degradable materials. In general, materials used in our products primarily include metal like aluminium alloy, epoxy resin, fiberglass, silicon, paper and plastic. In particular, we do not use any heavy metal materials in our products. We prefer environmental-friendly materials to eliminate the impact of harmful materials from the source. We strive to use recyclable and green materials whenever possible in order to reduce pollution and emissions. We also adopt a variety of processes to reduce residual levels of hazardous materials in production and contracted a qualified third party to dispose of such residual. In addition, we will recycle or reuse the expired unused materials to the extent applicable to avoid causing pollutions.

### *Waste discharge*

Our main non-hazardous wastes are garbage and kitchen waste generated by our offices and the leftovers from our productions. The garbage and kitchen waste are collected and processed by the property management company of the industrial park where our headquarters is located. The amount of hazardous waste we discharged during the Track Record Period are as follows:

Type of discharges	Waste description	Unit	For the Year Ended December 31,			For the Six Months
			2020	2021	2022	Ended June 30, 2023
Hazardous waste	Leftover from production	Ton	0.35	1.28	0.77	0.32

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During the Track Record Period, hazardous waste we discharged primarily represents leftover from production, which includes wasted filters, organic solvent detergents, and empty chemical containers, among others. The volume of hazardous waste we discharged increased from 2020 to 2021, due to the expansion of our business operations. In an effort to improve the production efficiency with an intention to diminish the generation of hazardous waste, we refined our manufacturing procedures and incorporated environmental considerations in our supplier review process. For instance, we prefer suppliers offering materials that can meet the environmental requirements from our customers and/or us and suppliers not having incurred any environmental incidents during the reviewed period. As a result, the quantity of hazardous waste we discharged declined from 2021 to 2022, and further to the first half of 2023 when calculating at the pro rata basis.

We endeavor to reduce the waste and sewage we produce. In particular, we target to reach 100% harmless transfer rate of hazardous wastes and gradually reduce the per unit output value of certain waste consumables in the following years. To this end, we are implementing the following measures:

- disposing hazardous waste regularly by a qualified third-party enterprise, and signing a disposal agreement will be every year;
- adopting measures such as adjusting product structure or production technology so that we may reduce the amount of hazardous waste generated; and
- evaluating and monitoring the concentration of pollutants in the discharged sewage to ensure we meet relevant discharging standards.

### **Social Responsibility**

#### ***Product Safety and Continuous Improvement***

We are committed to ensuring the safety of our autonomous driving solutions on the road. To accomplish this, our team of engineers works constantly to ensure that our systems are always as secure as possible. And we believe that we cannot work alone to design and build inherently secure systems. We collaborate closely with the OEMs to take advantage of their collective expertise and diversity of thought. OTA updates are carried out in collaboration with OEMs. These updates added new features and functionality, making vehicles equipped with our autonomous driving solutions smarter and safer.

#### ***Board and Management Diversity***

We have adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. With respect to gender diversity, Ms. XUE, Rui Shirley and Ms. LIU Fang, having extensive

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experience in their respective field, contribute to gender diversity of our Board and our senior management. While we recognize that gender diversity of our Company can be improved given that one out of nine of our Directors and one out of four of our senior management member are female upon the [REDACTED], we will continue to take steps to promote gender diversity at the Board of our Company. After the [REDACTED], we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, we will actively identify female individuals suitably qualified to become our Board members. To further ensure gender diversity in a long run, our Nomination Committee will periodically review our board diversity policy and its implementation to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. When we hire additional personnel in line with our production expansions, we will also take into consideration factors such as gender diversity and gender balance among our workforces.

### EMPLOYEES

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had 145, 204, 331 and 337 full-time employees, respectively, all of whom were based in the PRC. The following table sets forth the numbers of our employees categorized by function as of June 30, 2023:

<b>Function</b>	<b>As of June 30, 2023</b>	
	<b>Number of Employees</b>	<b>% of Total</b>
Research and development	250	74.2%
Business operation	45	13.4%
General and administration	25	7.4%
Sales	10	3.0%
Finance	7	2.1%
<b>Total</b>	<b>337</b>	<b>100.0%</b>

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. See “Risk Factors — We have not made adequate contributions to the social insurance and housing provident fund, which could subject us to penalties.”

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We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct annual performance evaluation for our employees to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. We believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members nationwide, and are recognized for our commitment to those efforts. We not only focus on the improvement of employees’ professional development, but have made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment.” Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

## PROPERTIES

Our corporate headquarters is located in Suzhou, Jiangsu Province. As of the Latest Practicable Date, we owned land use rights with respect to a parcel of land in Suzhou, Jiangsu Province of approximately 17,202.84 square meters with land use rights expiring in 2051, and leased seven properties in the PRC with an aggregate gross floor area of approximately 8,310.77 square meters. Our leased properties in the PRC are primarily used for offices and production facilities. The relevant lease agreements expire between 2024 and 2025. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth, especially as we expand our production facilities and sales network nationwide.

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As of the Latest Practicable Date, we had not completed lease registration for seven leased properties in China. For any of our leased buildings with any of the aforementioned defects, we believe we are able to find comparable properties as alternatives at commercially acceptable terms to us if we must stop occupying any of these leased buildings, without any delay, significant costs and interruption to our business. As advised by our PRC Legal Advisors, failure to register lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities. As advised by our PRC Legal Advisors, the defects of such leased properties would not materially and adversely affect our business. For details, see “Risk Factors — Risks Relating to Our Business and Industry — Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.”

As of June 30, 2023, none of the properties leased by us had a carrying amount of 15% or more of our combined total assets. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document 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 as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

## INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and, according to Frost & Sullivan in accordance with the commercial practices in the industries in which we operate. For social security insurance, our coverage is in line with the market practice as we cover all the mandatory social security insurances required by Chinese laws and regulations. For business interruption insurance, our coverage is consistent with the industry’s practice, considering that certain companies in the same industry do not maintain any business interruption insurance as well. For product liability insurance, as of the Latest Practicable Date, we were in the process of negotiation with insurance companies to purchase product liability insurance. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and social health insurance for our employees. We do not maintain any business interruption insurance, which is not mandatory under the relevant laws of the Chinese mainland and we believe it is in line with general market practice. We do not maintain key-man life insurance or insurance policies covering damages to our IT infrastructure or information technology systems and we have not engaged in any product liability insurance contract during the Track Record Period. See “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks.”

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### IMPACT OF THE COVID-19 PANDEMIC

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. However, the outbreak of COVID-19 has not had any material adverse impact on our operations and financial performance during the Track Record Period and up to the Latest Practicable Date, primarily taking into consideration (i) the fact that during the Track Record Period and up to the Latest Practicable Date, there was no cancellation or postponement of contracts/projects because of the COVID-19 pandemic; (ii) the fact that we implemented various measures and managed to navigate through the challenges posed by the global shortage of semiconductor chips; (iii) the fact that we did not experience any material shortage of labor; and (iv) we experienced significant revenue growth during the Track Record Period.

As of the Latest Practicable Date, we were closely monitoring the development of COVID-19. See “Risk factors — Risks related to our business and Industry — We face risks related to natural disasters, health epidemics and other outbreaks beyond our control, such as the COVID-19 pandemic, which presents challenges to our business, and the effects of the COVID-19 pandemic could adversely affect our business, financial condition and results of operations.”

### IMPACT OF THE GLOBAL SHORTAGE OF SEMICONDUCTOR CHIPS

Historically, we have experienced difficulty in securing sufficient and prompt automotive-grade power management chip supplies for iDC series and iFC series due to disruptions in supply chains and logistics caused by the COVID-19 outbreak. In addition, due to the global shortage of semiconductor chips, Mobileye had to source substitute components to maintain a stable supply. In this regard, tripartite product waivers have been entered into in 2021 and 2022, among Geely Group, our Company and Mobileye. For details, see “— Our Customers — Our Relationship with Geely Group.” Taking into considerations (i) the limited sales volume of iDC and iFC series during the Track Record Period, (ii) the fact that our business operations were not materially affected by the tripartite product waivers, and (iii) the fact that we implemented various measures and managed to navigate through the challenges posed by the global shortage of semiconductor chips, we had not experienced significant constraints on supply chain during the Track Record Period and up to the Latest Practicable Date. We had not experienced significant increases in our procurement costs as a result of the global shortage of semiconductor chips, nor had we experienced any material increase in prices of semiconductor chips or suffered any production suspension due to a disruption in the supply chain during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, according to Frost & Sullivan, the global supply of semiconductor chips had returned to normal.

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### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

From time to time, we may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product recall and return.

#### *Compliance with Regulations on the U.S. Chip Export Restrictions*

##### *U.S. Chip Export Restrictions and the Interim Final Rule (“IFR”)*

The BIS controls exports and reexports of commercial and dual-use products, software and technology (collectively, “**Items**”). These controls are implemented by the EAR. The EAR applies to (i) U.S.-origin Items wherever located, (ii) exports of Items from the United States (irrespective of their origin) to foreign countries, (iii) reexports of U.S.-origin Items from one foreign country to another, and (iv) shipments from one foreign country to another of foreign-made Items that are subject to the EAR either because (a) they incorporate more than de minimis amount of controlled U.S.-origin parts, components or materials, or (b) they are the foreign direct product of certain controlled U.S. technology or software. The export, reexport or transfer (in-country) of Items subject to the jurisdiction of the EAR (as described in (i)-(iv) above) must comply with licensing requirements related to the end-destination, the end-users and the end-use of the Items when applicable.

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On October 7, 2022, BIS issued the IFR amending the EAR as it relates to exports, reexports or transfers (in-country) of U.S. and foreign-made Items to Mainland China and Hong Kong (and later adding Macau), as well as related end uses and the activities of "U.S. persons," ("U.S. persons" include any individual who is a U.S. Citizen or permanent resident alien, and any entity organized under U.S. Law) in the semiconductor and supercomputer manufacturing industries. These included:

- Adding new export control classification numbers ("ECCN"), 3A090 and 4A090, to control certain high performance integrated circuits ("ICs"), computers, electronic assemblies, and components that are subject to the EAR which are prohibited, without a license, from being exported, reexported or transferred (in-country) to or within Mainland China, Hong Kong SAR, and Macau SAR;
- Adding two new foreign direct product rules ("FDP Rules") and the expansion of the Entity List FDP Rule, which collectively expanded U.S. export control laws to capture under the jurisdiction of the EAR certain foreign-made Items that are developed from specific U.S. technology or software, or from a plant or equipment (including test equipment) that itself was developed from specific U.S. technology or software. Such foreign-made Items were not subject to the EAR prior to the expansion implemented by the IFR. Foreign-made Items captured by these rules are subject to export licensing requirements when destined for certain end-users (i.e., certain parties designated on BIS' Entity List) or certain end-uses in the advanced computing and supercomputer industries in Mainland China, Hong Kong SAR or Macau SAR;
- Adding a specific designation (i.e., footnote 4 on the Entity List) to 28 Chinese parties on BIS' Entity List such that transactions with these parties are subject to the broader EAR jurisdiction, and associated export licensing requirements, imposed by the Entity List FDP Rule and related Entity List restrictions;
- Adding an export license requirement for the export, reexport or transfer (in-country) of (i) certain Items subject to EAR and classified under particular ECCNs, or (ii) certain semiconductor manufacturing end-uses Items subject to the EAR, where the (i) or (ii) items are destined to Mainland China, Hong Kong SAR or Macau SAR for certain supercomputer or for semiconductor manufacturing end-uses; and
- Adding an export license requirement for any U.S. persons (both individuals and legal entities) whose activities support the advanced computing or semiconductor manufacturing end-uses discussed above.



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As summarized above, the IFR implemented a number of key changes, including: (i) the addition of four new ECCNs to the Commerce Control List (“CCL”); (ii) application of new unilateral controls on exports to Mainland China, Hong Kong SAR or Macau SAR of certain advanced computing chips and computers and electronic assemblies incorporating the ICs that are now subject to the EAR; (iii) imposition of new end-use and end-user-based restrictions on exports, reexports, and in-country transfers of Items subject to the EAR that are intended for use in semiconductor fabrication facilities in Mainland China, Hong Kong SAR or Macau SAR or in “supercomputers” located in or destined for Mainland China, Hong Kong SAR or Macau SAR; and (iv) the revision of one and creation of two new FDP Rules designed to capture more foreign-made Items within the scope of the EAR.

The updated section 744.23 of the EAR imposes license requirements where an exporter, reexporter or transferor knows or has reason to know that certain Items subject to the EAR are intended for a “supercomputer” end-use or are intended for semiconductor manufacturing end-uses. No license exceptions are available to overcome these restrictions.

In particular, section 744.23 provides a detailed outline of the circumstances, encompassing the scope of products and end-uses, that require an export license for the purposes of export, reexport, or transfer (in-country), which covers:

- (i) an IC subject to the EAR and specified in ECCNs 3A001 (e.g. radiation hardened integrated circuits, Monolithic Microwave ICs, analog-to-digital and digital-to-analog integrated circuits, and field programmable gate arrays), 3A991 (e.g. storage integrated circuits; field programmable gate arrays, flexible waveguide; integrated circuits having a processing performance of 8 TOPS or more), 4A994 (e.g. computers with extended operating temperature range, hybrid computers, and electronic assemblies), 5A002 (e.g. information security systems/equipment/devices/components, and information security equipment), 5A004 (e.g. information security defeating, weakening or bypassing systems, equipment and components, and cyber hacking systems, equipment and components), or 5A992 (e.g. mass market information security equipment and components, mass market cryptanalytic systems, equipment and components, and mass market cryptographic equipment and components), if there is “knowledge” the Item will be used for the “development,” “production,” “use,” operation, installation (including on-site installation), maintenance (checking), repair, overhaul or refurbishing of a “supercomputer” located in or destined to Mainland China, Hong Kong SAR or Macau SAR;
- (ii) a computer, “electronic assembly” or “component” subject to the EAR and specified in ECCNs 4A003 (e.g. digital computers, signal processing digital computers, and vector processors digital computers), 4A004 (e.g. array processors/assemblies), 4A994, 5A002, 5A004, or 5A992, if there is “knowledge” that such Items will be incorporated into or used in the “development” or “production” of any “component” or “equipment” that will be used in a “supercomputer” located in or destined to Mainland China, Hong Kong SAR or Macau SAR;

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- (iii) any Item subject to the EAR if there is "knowledge" that the Item will be used in the "development" or "production" of ICs at a semiconductor fabrication "facility" located in Mainland China, Hong Kong SAR or Macau SAR that fabricates ICs meeting certain criteria;
- (iv) any Item subject to the EAR and classified in any ECCN in Product Groups B, C, D, or E in Category 3 when there is "knowledge" that the Item will be used in the "development" or "production" of ICs at any semiconductor fabrication "facility" located in Mainland China, Hong Kong SAR or Macau SAR, but one does not know whether such semiconductor fabrication "facility" fabricates ICs that meet certain criteria; and
- (v) any Item subject to the EAR when there is "knowledge" that the Item will be used in the "development" or "production" in Mainland China, Hong Kong SAR or Macau SAR of any "parts," "components" or "equipment" specified under ECCNs 3B001 (e.g. epitaxial growth equipment, semiconductor device or material manufacturing equipment), 3B002 (e.g. test equipment specially designed for testing finished or unfinished semiconductor devices), 3B090 (e.g. semiconductor manufacturing deposition equipment not described in 3B001), 3B611 (e.g. test, inspection, and production commodities for military electronics), 3B991 (e.g. equipment "specially designed" for the manufacture of semiconductor devices, integrated circuits and electronic assemblies, masks, mask substrates and mask-making equipment), or 3B992 (e.g. electronic components and materials inspection or testing equipment, components and accessories).

Furthermore, section 744.21 of the EAR prohibits the export, reexport or transfer (in-country) of certain Items subject to the EAR if the party has "knowledge," that the Item is destined for a "military end use" or a "military end user" in Burma, Cambodia, China or Venezuela. Section 744.21 of the EAR also prohibits the export, reexport, or transfer (in-country) of any Item subject to the EAR if the party has "knowledge" that the Item is destined for a "military end use" or "military end user" in Russia or Belarus. Section 744.22 of the EAR prohibits the export, reexport or transfer (in-country) of any Items subject to the EAR if the party has "knowledge" that the Item is intended for a "military-intelligence end use" or "military-intelligence end user" in Belarus, Burma, Cambodia, China, Russia or Venezuela, or certain specified "military intelligence end users," of such countries, wherever located.

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### *Application to the Group*

During the Track Record Period, several products we procured were subject to the EAR, including:

- (i) as confirmed by Mobileye, certain hardware and software used in SuperVision™, which include (a) the ADCU (classified as 4A994.l); (b) the EyeQ®5H SoC (classified as 3A991.p); and (c) the software and algorithms embedded and bundled with the ADCU (classified as 4D994); and
- (ii) the chips we procured and used in our iDC and iFC series, which were classified as 5A992.c, 3A991 or EAR99.

Based on information available, these products that are subject to the EAR do not meet or surpass the performance thresholds specified in ECCN 3A090 or 4A090, nor do they fall under other highly controlled ECCNs on the CCL that require a license for their export, reexport, or transfer (in-country) to Mainland China, Hong Kong SAR, or Macau SAR, unless involving Sanctioned Targets or being intended for certain prohibited end-uses as outlined in the U.S. Chip Export Restrictions.

As advised by our legal advisors as to U.S. export control laws, these components are subject to control solely under the EAR for entities designated on the BIS Entity List, Denied Persons List, or Unverified List. Additionally, they are applicable to entities headquartered in, ordinarily resident in, or owned or controlled by governments of countries or regions subject to comprehensive trade embargoes under U.S. export controls. Currently, these countries include the Crimea region, Cuba, Iran, North Korea, Syria, the so-called Luhansk People’s Republic (LPR), and Donetsk People’s Republic (DPR), as well as Russia and Belarus. These entities involved are collectively referred to as “**Sanctioned Targets.**” Moreover, in the case of 3A991, 4A994, 5A992, and EAR99 components, they are only controlled for anti-terrorism reasons and thus only subject to a license requirement for export, reexports or transfers (in-country) to Sanctioned Targets or restricted under the U.S. Chip Export Restrictions if intended for use in Mainland China, Hong Kong SAR, or Macau SAR for certain prohibited end-uses as discussed above.

As advised by our legal advisors as to U.S. export control laws, during the Track Record Period and up to the Latest Practicable Date, (i) none of our customers had been designated as Sanctioned Targets; and (ii) our activities did not involve operations or transactions that have violated or would violate the EAR restrictions on the end-uses as set forth in the U.S. Chip Export Restrictions. Therefore, our business activities are not currently affected by U.S. export control laws in any material respect.

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Furthermore, because the Items subject to the EAR that we procure to date are (1) software which we can replace with self-developed software, or (2) medium-capacity chips commonly used in the automotive industry and classified under ECCNs 5A992.c and 3A991 or as EAR99, our legal advisor as to U.S. export control laws is of the view that the likelihood that our business activities will be captured by future revisions to U.S. export controls appears generally low.

In order to address the uncertainty surrounding this matter, we have taken several measures in view of the regulations pertaining to U.S. chip export restrictions. Firstly, we conduct a thorough assessment of the supply chain, including assessing the information of the products that we procure (to the extent that such information is provided to us by the suppliers) and reviewing relevant contractual terms, when sourcing from overseas suppliers. Secondly, our compliance department consistently checks the backgrounds of our customers and suppliers to identify and manage any potential legal compliance risks. Thirdly, we have also enhanced our internal control policies in response to compliance-related incidents. According to our internal control measures, we shall continuously monitor changes in various countries' sanction laws, including the U.S. chip export restrictions. We shall clarify the scope of sanctions and exemptions, monitor potential risks, and establish risk contingency plans. We shall regularly check if our counterparts in ongoing transactions are listed on the sanctions list to avoid engaging in business relationships with entities carrying high specific risks. In the event of compliance incidents, such as the expansion to the scope of the U.S. Chip Restrictions resulting in our procurement of certain chips, software or other components used in our products a violation of the EAR, we shall establish an incident management task force to conduct a comprehensive analysis of the impact and refer to previously prepared risk contingency measures for a response.

We believe that we can find domestically produced alternatives for the chips or deploy other self-developed software used in our products that fall under the EAR. In particular, in connection with chips, we have conducted extensive market research on domestic chip manufacturers, focusing on various chip types utilized in our products. For interface chips including ethernet, controller area network receiver and serializer/deserializer, there have been established domestic Chinese chip-makers with mass production capabilities, which may be capable of replacing overseas chip-makers after necessary verification of the relevant products. For double data rate synchronous dynamic random access memory, embedded multimedia card and power management chips, a few domestic Chinese chip-makers have launched respective chips. According to Frost & Sullivan, although there may be a performance gap compared to imported chips, these domestically produced chips are generally able to meet the basic requirements of our products. With the continuous improvement in feature and quality, such domestically produced products have the potential to be comparable to imported chips. For automotive-grade SoC chips, according to Frost & Sullivan, there are various domestic Chinese chip-makers that have achieved mass delivery of chips comparable in function to imported ones. We have conducted evaluations of relevant products from certain domestic Chinese chip-makers and expect to initiate the design of products equipped with domestic automotive-grade SoCs in the second half of 2023. As of the Latest Practicable Date, we had registered

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more than 20 patents and owned more than 20 copyrights for our self-developed software that can be used in autonomous driving system/solutions. Such software are expected to generally be able to meet the basic requirements of our products.

However, we cannot be certain as to the direction the U.S. government may take on additional controls related to semiconductor products or other software deployed. If the U.S. export control restrictions heighten to the extent where Mobileye can no longer export the necessary hardware and software used in SuperVision™, we will need to source new chips and/or software, or collaborate with Mobileye or other suppliers as an alternative. If new chips and/or software were to be used, the resulting new product may not be accepted by our existing or potential customers, and our business, results of operations, and financial condition would be adversely affected. For the risk we face in relation to U.S. export controls, see “Risk Factors — We could be adversely affected as a result of any transactions we make with certain entities or in certain industries that are, or become subject to, sanctions and export controls administered by the United States and other relevant sanctions authorities.”

### *Compliance with Regulations on the List of Unreliable Entities*

According to the Head of the Treaty and Law Department of the MOFCOM’s Responses to Journalists’ Questions on the Regulations on the List of Unreliable Entities on September 25, 2020 (商務部條約法律司負責人就<不可靠實體清單規定>答記者問) (“**Responses to Journalists’ Questions in 2020**”), the procedure of designating a foreign entity onto the List of Unreliable Entities (“**List**”) is transparent and standardized, and the initiation of investigation procedures, the procedure of designating a foreign entity onto the List and the measures for the designated unreliable entities should be announced in accordance with the Regulations on the List of Unreliable Entities (《不可靠實體清單規定》). We will continue to pay close attention to the announcements related to unreliable entities and relevant new policies and regulations issued by the MOFCOM. If it is found that any foreign entity that we have cooperated with or intend to cooperate with is under any risk of being designated onto the List, we will timely develop solutions and adjustments, such as finding alternative cooperative partners. See “Risk Factors — The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.”

According to the Responses to Journalists’ Questions in 2020, the scope of application of the Regulations on the List of Unreliable Entities is strictly limited, targeting very few illegal foreign entities, and will not be arbitrarily expanded. On February 17, 2023, the Press Spokesperson of MOFCOM’s Responses to Journalists’ Questions on the List of Unreliable Entities (商務部新聞發言人就不可靠實體清單有關問題答記者問) reiterated this principle and stated that there is no need for foreign invested enterprises to worry.

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According to the Working Mechanism Announcement on the List of Unreliable Entities ([2023] No. 1) (不可靠實體清單工作機制公告[2023]1號) published by the MOFCOM on February 16, 2023, as of the Latest Practicable Date, there were two foreign entities, Lockheed Martin Corporation (洛克希德•馬丁公司) and Raytheon Missiles & Defense (雷神導彈與防務公司) being designated on the List (collectively as the “**Unreliable Entities**”). As of the Latest Practicable Date, we had no business cooperation or transaction with the Unreliable Entities, nor did we have any plans to conduct any business cooperation or transaction with the Unreliable Entities.

Based on the above, our PRC Legal Advisors advised us that as of the Latest Practicable Date, the Regulations on the List of Unreliable Entities did not have a material adverse effect on our business, financial condition and results of operations.

### *Compliance with Regulations on Contribution to the Social Insurance and Housing Provident Fund*

During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for some of our employees. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we made provisions of RMB0.2 million, RMB0.2 million, RMB0.2 million, RMB0.1 million and a reversal of RMB0.1 million for the social insurance and housing provident fund contribution shortfall, respectively. We recorded a reversal of RMB0.1 million for provisions for our social insurance and housing provident fund contributions for the six months ended June 30, 2023, primarily as a result of the ongoing rectification and the leave of certain employees, for whom we believe in the low possibility of being required to supplement the shortfall. We did not make full social insurance and housing provident fund contributions for these employees primarily because of the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of some of our employees not to contribute to such fund.

As advised by our PRC Legal Advisers, pursuant to relevant Chinese laws and regulations, the maximum potential penalties would equal to three times of the shortfall of our social insurance contribution and an overdue payment fine at the rate of 0.05% per day as of the date of indebtedness if we failed to make required social insurance payment within the prescribed period as required by the government. For the housing provident fund, the government may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. Calculated based on the aggregate shortfall of our social insurance and housing provident contribution as of June 30, 2023, the maximum potential liability that we may be exposed to is approximately RMB3.2 million. Pursuant to the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》 issued by the Ministry of Human Resources and Social Security on September 21, 2018, it is strictly prohibited for the relevant authorities to collectively initiate and proactively collect historical outstanding social security contributions from enterprises. We have also

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obtained the relevant compliance certificates of social insurance and housing provident fund. As of the Latest Practicable Date, we had not received any notice from the competent authorities ordering rectification or deadline for payment of outstanding fees or administrative penalties in respect of social insurance and housing provident fund, and have not received any reports or complaints from employees. Having considered the aforementioned relevant PRC laws and regulations and given the advice from our PRC Legal Advisers, this non-compliant incident did not have a material and adverse effect on our business operation and financial performance during the Track Record Period and up to the Latest Practicable Date.

We are in the process of rectifying the non-compliance matter by enhancing our internal control measures, including that (i) we plan to adjust the payment base for all employees' social insurance and housing provident funds contributions in batches to make full contribution in compliance with the applicable laws and regulations and considering the time and resources for us to negotiate with the relevant employees and enhance internal procedures, such adjustments are expected to be completed in January 2024; (ii) we will also enhance our internal policies and procedures to ensure compliance with the relevant laws and regulations; and (iii) we plan to conduct regular internal trainings for our Directors, members of senior management and employees responsible human resource matters on the relevant laws and regulations as well as any regulatory updates.

### **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. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

#### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

#### **Internal Control Risk Management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our compliance team works closely with our finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team will review and monitor the

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status and effectiveness of those licenses and approvals. Our compliance team works with relevant business departments to obtain requisite governmental approvals or consents for filing with relevant government authorities.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff’s skill sets remain up-to-date and enable them to discover and meet our customers’ needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption. We also provide employees with resources for explanation on guidelines contained in the employee handbook.

We also have in place a code of business conduct and ethics, and an anti-bribery and corruption policy approved by our board of directors, providing to our employees the best commercial practice and work ethics as well as our anti-bribery guidance and measures. We make our internal reporting channel open and available to our staff for any wrongdoing or misconduct. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings.

### **Audit Committee Experience and Qualification and Board Oversight**

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. LIU Yong, Dr. ZHANG Weigong and Ms. XUE, Rui Shirley, all being independent non-executive Directors. For the professional qualifications and experiences of the members of our audit committee, see “Directors, Supervisors and Senior Management — Board Committees.”

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department holds regular meetings with the management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues.



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### LICENSES, APPROVALS AND PERMITS

In the opinion of our PRC Legal Advisors, we had obtained all licenses and certificates that are material to our operations throughout the Track Record Period and up to the Latest Practicable Date.

We renew all such permits and licenses from time to time to comply with the relevant PRC laws and regulations. The table below sets forth the relevant details of the material licenses required for our operations:

The following table sets forth a list of our material licenses, approvals and certificates.

<u>No.</u>	<u>Holder</u>	<u>Name of License, Approval and Permit</u>	<u>Expiration Date</u>
1	Our Company	Custom Registration Certificate for Declaration Units of the PRC	N/A
2	iMotion Electronics	Custom Registration Certificate for Declaration Units of the PRC	N/A
3	iMotion Electronics	Radiation Safety License	February 19, 2028