

**CEB International Capital Corporation Limited**  
34/F - 35/F, Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

**STRICTLY PRIVATE AND CONFIDENTIAL**

**BY HAND**

Date: 31 December 2024

The Board of Directors  
**Beijing Saimo Technology Co., Ltd.**  
(北京赛目科技股份有限公司)  
Room 401, 4/F  
No. 66 Zizhuyuan Road  
Haidian District  
Beijing, the PRC

Dear Sirs,

**Re: Consent to the issue of the Prospectus of Beijing Saimo Technology Co., Ltd. (北京赛目科技股份有限公司) (the “Company” and together with its subsidiaries, the “Group”) in connection with the Company’s proposed global offering and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Global Offering”)**

We, CEB International Capital Corporation Limited, being the sole sponsor in respect of the Global Offering, refer to the prospectus of the Company dated 31 December 2024 (the “**Prospectus**”) in connection with the Global Offering.

We hereby give, and confirm that we have not withdrawn, our written consent to the issue of the Prospectus by the Company, with the inclusion therein of all statements made in our name and our opinions, and all references to our name, qualification, confirmations and advice, in the form and context in which they respectively appear in the Prospectus.

We hereby consent to you releasing a copy of this letter to the Registrar of Companies in Hong Kong and the Stock Exchange and referring to it in the Prospectus. We also hereby consent to a copy of this letter being made available on display as described in Appendix VII “Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display” to the Prospectus.

*-signature page to follow-*

For and on behalf of  
**CEB International Capital Corporation**

A handwritten signature in black ink, appearing to read 'VP' followed by a stylized flourish.

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Name: VICTOR PANG

Title: MANAGING DIRECTOR

北京市朝阳区金和东路 20 号院正大中心 3 号南塔 22-31 层 邮编：100020  
22-31/F, South Tower of CP Center, 20 Jin He East Avenue, Chaoyang District, Beijing 100020, China  
电话/Tel: +86 10 5957 2288 传真/Fax: +86 10 6568 1022/1838 www.zhonglun.com

**STRICTLY PRIVATE AND CONFIDENTIAL**

**BY HAND**

Date: 31 December 2024

To: The Board of Directors  
**Beijing Saimo Technology Co., Ltd. (北京赛目科技股份有限公司)**  
Room 401, 4/F  
No. 66 Zizhuyuan Road  
Haidian District  
Beijing, the PRC

CC: **CEB International Capital Corporation Limited**  
34/F - 35/F, Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

**Re: Consent to the issue of the Prospectus of Beijing Saimo Technology Co., Ltd. (北京赛目科技股份有限公司) (the “Company” and together with its subsidiaries, the “Group”) in connection with the Company’s proposed global offering and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Global Offering”)**

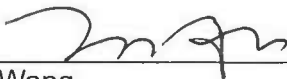
We, Zhong Lun Law Firm, being the legal advisers to the Company as to PRC laws, refer to the prospectus of the Company dated 31 December 2024 (the “**Prospectus**”) in connection with the Global Offering.

We hereby give, and confirm that we have not withdrawn, our written consent to the issue of the Prospectus by the Company, with the inclusion therein of all statements made in our name and our opinions, and all references to our name, qualification, confirmations and advice, in the form and context in which they respectively appear in the Prospectus.

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*-signature page to follow-*

For and on behalf of  
**Zhong Lun Law Firm**

A handwritten signature in black ink, appearing to be 'Bing Wang', written over a horizontal line.

Name: Bing Wang  
Title: Partner



**STRICTLY PRIVATE AND CONFIDENTIAL**

BY HAND

Date: 31 December 2024

To: The Board of Directors  
Beijing Saimo Technology Co., Ltd. (北京赛目科技股份有限公司)  
Room 401, 4/F  
No. 66 Zizhuyuan Road  
Haidian District  
Beijing, the PRC

CC: CEB International Capital Corporation Limited  
34/F - 35/F, Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

**Re: Consent to the issue of the Prospectus of Beijing Saimo Technology Co., Ltd. (北京赛目科技股份有限公司) (the “Company” and together with its subsidiaries, the “Group”) in connection with the Company’s proposed global offering and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Global Offering”)**

We, King & Wood Mallesons, being the legal advisers to the Company as to international sanctions laws, refer to the prospectus of the Company dated 31 December 2024 (the “Prospectus”) in connection with the Global Offering.

We hereby give, and confirm that we have not withdrawn, our written consent to the issue of the Prospectus by the Company, with the inclusion therein of all statements made in our name and our opinions, and all references to our name, qualification, confirmations and advice, in the form and context in which they respectively appear in the Prospectus.

We hereby consent to you releasing a copy of this letter to the Registrar of Companies in Hong Kong and the Stock Exchange and referring to it in the Prospectus. We also hereby consent to a copy of this letter being made available on display as described in Appendix VII “Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display” to the Prospectus.

*-signature page to follow-*

**金杜办公室**

北京 | 长春 | 成都 | 重庆 | 广州 | 海口 | 杭州 | 香港特别行政区 | 济南 | 南京 | 青岛 | 三亚 | 上海 | 上海临港 | 深圳 | 苏州 | 无锡 | 珠海 | 布列斯特 | 堪培拉 | 墨尔本 | 珀斯 | 悉尼 | 东京 | 新加坡 | 纽约 | 硅谷

**Member firm of the King & Wood Mallesons network:**

Beijing | Changchun | Chengdu | Chongqing | Guangzhou | Haikou | Hangzhou | Hong Kong SAR | Jinan | Nanjing | Qingdao | Sanya | Shanghai | Shanghai Lin-Gang | Shenzhen | Suzhou | Wuxi | Zhuhai | Brisbane | Canberra | Melbourne | Perth | Sydney | Tokyo | Singapore | New York | Silicon Valley


**金杜全球网络**

亚太 | 欧洲 | 中东 | 南美 | 非洲

**KWM Global Network**

Asia Pacific | Europe | Middle East | South America | Africa

For and on behalf of  
King & Wood Mallesons

  
Name: Dai Menghao  
Title: Partner



羅兵咸永道

The Board of Directors  
Beijing Saimo Technology Co., Ltd.  
Room 401, 4/F  
No. 66 Zizhuyuan Road  
Haidian District  
Beijing, the People's Republic of China

December 31, 2024

Dear Sirs,

**LETTER OF CONSENT**

We refer to the prospectus dated December 31, 2024 in connection with the proposed initial listing of the H Shares of Beijing Saimo Technology Co., Ltd. (the "Company") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Prospectus"), a copy of which is attached and initialled by us on its front cover for the purpose of identification.

Our engagement to prepare this letter has been performed in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants.

We hereby consent to the inclusion of our accountant's report and our report on unaudited pro forma financial information, both dated December 31, 2024, in the Prospectus, and the references to our name in the form and context in which they are included.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', with a stylized flourish at the end.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong



# 北京賽目科技股份有限公司 Beijing Saimo Technology Co., Ltd.

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

Stock Code : 2571

## GLOBAL OFFERING



Sole Sponsor and Sponsor-Overall Coordinator



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



Joint Bookrunners and Joint Lead Managers





## IMPORTANT

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



**Beijing Saimo Technology Co., Ltd.**

**北京賽目科技股份有限公司**

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

### GLOBAL OFFERING

- Number of Offer Shares under the Global Offering :** 33,333,400 H Shares (subject to the Over-allotment Option)
- Number of Hong Kong Offer Shares :** 3,333,400 H Shares (subject to reallocation)
- Number of International Offer Shares :** 30,000,000 H Shares (subject to reallocation and the Over-allotment Option)
- Offer Price :** HK\$12.0 to HK\$18.0 per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)

**Nominal value :** RMB1.00 per H Share

**Stock code :** 2571

**Sole Sponsor and Sponsor-Overall Coordinator**



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



**Joint Bookrunners and Joint Lead Managers**



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

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by an agreement to be entered into among our Company, Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Monday, 13 January 2025 (Hong Kong time). The Offer Price will be not more than HK\$18.0 and is currently expected to be not less than HK\$12.0 per Offer Share, unless otherwise announced. If our Company, Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by 12:00 noon on Monday, 13 January 2025, the Global Offering will lapse and will not proceed. In such case, a notice will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.saimo.cloud](http://www.saimo.cloud).

The Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, an announcement will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.saimo.cloud](http://www.saimo.cloud) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For further details of such grounds for termination, please refer to "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus.

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

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering. This prospectus is available at the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.saimo.cloud](http://www.saimo.cloud). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

31 December 2024

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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

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

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at [www.saimo.cloud](http://www.saimo.cloud). You may download and print from these website addresses if you want a printed copy of this prospectus.

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

- (1) apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- (2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

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

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

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

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## IMPORTANT

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Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 200 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$
200	3,636.31	4,000	72,726.12	60,000	1,090,891.80	450,000	8,181,688.50
400	7,272.61	5,000	90,907.66	70,000	1,272,707.10	500,000	9,090,765.00
600	10,908.92	6,000	109,089.18	80,000	1,454,522.40	600,000	10,908,918.00
800	14,545.22	7,000	127,270.71	90,000	1,636,337.70	700,000	12,727,071.00
1,000	18,181.54	8,000	145,452.25	100,000	1,818,153.00	800,000	14,545,224.00
1,200	21,817.83	9,000	163,633.76	150,000	2,727,229.50	900,000	16,363,377.00
1,400	25,454.14	10,000	181,815.30	200,000	3,636,306.00	1,000,000	18,181,530.00
1,600	29,090.45	20,000	363,630.60	250,000	4,545,382.50	1,200,000	21,817,836.00
1,800	32,726.75	30,000	545,445.90	300,000	5,454,459.00	1,400,000	25,454,142.00
2,000	36,363.05	40,000	727,261.20	350,000	6,363,535.50	1,666,600 <sup>(1)</sup>	30,301,337.90
3,000	54,544.59	50,000	909,076.50	400,000	7,272,612.00		

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

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

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Hong Kong Public Offering commences .....9:00 a.m. on  
Tuesday, 31 December 2024

Latest time for completing electronic applications  
under **White Form eIPO** service through  
the designated website at [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> .....11:30 a.m. on  
Friday, 10 January 2025

Application lists open<sup>(3)</sup> .....11:45 a.m. on  
Friday, 10 January 2025

Latest time for (a) completing payment of **White Form eIPO**  
applications by effecting internet banking transfer(s)  
or PPS payment transfer(s) and (b) giving  
**electronic application instructions** to HKSCC<sup>(4)</sup> .....12:00 noon on  
Friday, 10 January 2025

If you are instructing your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close<sup>(3)</sup> .....12:00 noon on  
Friday, 10 January 2025

Expected Price Determination Date<sup>(5)</sup> ..... Monday, 13 January 2025

(1) Announcement of the final Offer Price on our website  
[www.saimo.cloud](http://www.saimo.cloud) and the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) at or before<sup>(6)(10)</sup> .....11:00 p.m. on  
Tuesday, 14 January 2025

(2) Announcement of the level of indications of  
interest in the International Offering, the level of  
applications in the Hong Kong Public Offering and  
basis of allocation of the Hong Kong Offer Shares under  
the Hong Kong Public Offering to be published on  
our website [www.saimo.cloud](http://www.saimo.cloud)<sup>(6)</sup> and the website of  
the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) at  
or before<sup>(10)</sup> ..... 11:00 p.m. on  
Tuesday, 14 January 2025



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

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(3) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including

- the announcement to be posted on our website at [www.saimo.cloud](http://www.saimo.cloud)<sup>(6)</sup> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) at or before<sup>(10)</sup> ..... 11:00 p.m. on Tuesday, 14 January 2025
- the designated results of allocation website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: [www.eipo.com.hk/eIPOAllotment](http://www.eipo.com.hk/eIPOAllotment)) with a "search by ID" function from<sup>(10)</sup> ..... 11:00 p.m. on Tuesday, 14 January 2025 to Monday, 20 January 2025
- the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from<sup>(10)</sup> ..... Wednesday, 15 January 2025 to Monday, 20 January 2025 (excluding Saturday, Sunday or public holiday in Hong Kong)

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited on or before<sup>(7)(9)(10)</sup> ..... Tuesday, 14 January 2025

### **White Form e-Refund payment**

instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before<sup>(8)(9)(10)</sup> ..... Wednesday, 15 January 2025

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m.<sup>(10)</sup> ..... Wednesday, 15 January 2025

The application for the Hong Kong Offer Shares will commence on Tuesday, 31 December 2024 through Friday, 10 January 2025, being longer than normal market practice of three and a half days. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, 15 January 2025.

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

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*Notes:*

- (1) All dates and times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day of submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or extreme conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 10 January 2025, the application lists will not open and close on that day. Please refer to “How to apply for Hong Kong Offer Shares – E. Bad weather arrangements” in this prospectus for further details.
- (4) Applicants who instructing your **broker** or **custodian** to apply for Hong Kong Offer Shares on your behalf through **HKSCC EIPO** channel should refer to “How to apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Monday, 13 January 2025 and, in any event, not later than 12:00 noon on Monday, 13 January 2025. If, for any reason, we do not agree with the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on the pricing of the Offer Shares by 12:00 noon on Monday, 13 January 2025, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, 15 January 2025, provided that the Global Offering has become unconditional and the right of termination described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so at their own risk in all respects at or before that time.
- (8) **White Form** e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to “How to apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share certificates and refund of application monies” in this prospectus for details.

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

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Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

H Share certificates and/or refund checks for applicants who are not eligible for personal collection and any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share certificates and refund of application monies" in this prospectus.

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or extreme conditions in any days between Tuesday, 31 December 2024 and Wednesday, 15 January 2025, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of H Share certificates and refund cheques/**White Form** e-Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.
- (11) To be announced as soon as practicable after the Price Determination Date but before the allotment result announcement.

**The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for the Hong Kong Offer Shares, please refer to "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus, respectively.**

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## CONTENTS

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Global Offering and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such would be prohibited. No action has been taken to permit a public offering of the Offer Shares in any jurisdictions other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering. Information contained on our website, located at [www.saimo.cloud](http://www.saimo.cloud), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decided to invest in the Offer Shares.*

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

## OVERVIEW

We are a technology company in the PRC focusing on intelligent connected vehicle (“ICV”) simulation testing technologies, and primarily engaged in the design and R&D of ICV simulation testing products and the provision of related testing, validation and evaluation solutions. ICVs refer to a new generation of vehicles that are equipped with advanced on-board sensors, controllers, actuators and other devices, and integrating advanced communication and network technologies.

According to F&S, we are the largest market player in China’s ICV testing, validation and evaluation solutions industry with a market share of approximately 5.3% in terms of revenue in 2023, and the largest market player in China’s ICV simulation testing software and platforms market with a market share of approximately 5.9% in terms of revenue in 2023<sup>(Note)</sup>. We are also one of the several market players capable of providing one-stop ICV testing, validation and evaluation solutions in China.

We have developed technological capabilities in ICV testing, validation and evaluation through innovation. In 2018, we independently developed and commercially launched our ICV simulation testing, validation and evaluation tool chain – **Sim Pro**, which passed the functional safety certification at ASIL D under the international standard ISO 26262 in June 2021, making it the first ICV simulation testing, validation and evaluation tool chain in the world to have obtained the highest-level functional safety certification, according to F&S. In 2021, we also independently developed our FuSa and SOTIF analysis tool for ICVs – **Safety Pro**, making us one of the simulation solutions providers in China capable of integrating self-developed safety analysis tool with simulation testing tool, according to F&S. **Safety Pro** obtained ISO 26262 TCL 2 certification in July 2023.

In recognition of our innovation capabilities, we have been awarded a number of awards and certifications by government authorities in the PRC, including the Key Software Enterprise\* (重點軟件企業), the Specialised, Sophisticated, Special and New “Little Giant” Enterprise of Beijing\* (北京市專精特新「小巨人」企業), the Specialised, Sophisticated, Special and New “Little Giant” Enterprise\* (專精特新「小巨人」企業) (issued by the MIIT) and the National and Zhongguancun High and New Technology Enterprise\* (國家級和中關村高新技術企業).

*Note:* The market share of the second largest market player in each of China’s ICV testing, validation and evaluation solutions industry and China’s ICV simulation testing software and platforms market is 4.9% and 5.6%, respectively.

## SUMMARY

### OUR BUSINESS MODEL

We mainly offer (i) ICV simulation testing software and platforms; (ii) ICV data platforms and other products; (iii) ICV testing and related services; and (iv) advisory and other services.

The following diagrams set forth the main categories and sub-categories of our products and services and main purposes of use by our customers:

Our products	Sub-categories	Main purposes
<b>ICV simulation testing software and platforms</b> <sup>(Note 1)</sup>	Simulation testing platform	To test, validate and evaluate the functional completeness and safety of intelligent driving algorithms
	Standalone software	
<b>ICV data platforms and other products</b>	ICV data platforms	To achieve effective regulation and decision-making in monitoring ICVs
	Other products	To establish intelligent connected data centres or intelligent transportation platforms, or to meet regulatory requirements regarding the filing of automotive OTA upgrade information
Our services	Sub-categories	Main purposes
<b>ICV testing and related services</b> <sup>(Note 2)</sup>	Simulation tests and related services	To help customers test, validate and evaluate the safety and driving capabilities of ICVs
	Closed-course site tests and related services	
	Platform operation and maintenance services	To help customers operate and maintain ICV-related platforms
<b>Advisory and other services</b>	N/A	To offer advice and technical assistance in respect of ICV-related policies, laws and regulations, and industry standards
		To assist government authorities in organising conferences and seminars in the ICV and related industries
		To assist government authorities and technology companies in the testing, operation management and other activities of drones

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## SUMMARY

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*Notes:*

1. Based on our product categorisation, we have identified four defining elements of an ICV simulation testing platform, including (i) highly customised ICV simulation testing software comprising **Sim Pro**, or both **Sim Pro** and other standalone software; (ii) support for concurrent use by multiple or unlimited users; (iii) matched simulation testing hardware with high specifications; and (iv) provision of adaptation, debugging and related customised maintenance services.
2. For our ICV testing and related services, we generally charge our customers a fixed fee per contract or order. Such fee is generally determined by taking into account various factors, primarily including the scope of the testing and related services, the specifications and complexity of the products or technologies being tested, and the expected workload. In addition, our contracts for the provision of closed-course site tests and related services may set out specific pricing factors such as the number of days required for testing, types of test roads or areas (such as city road, highway and tunnel), types and quantities of testing facilities or tools (such as pedestrian targets, vehicle targets, cyclist target, etc.) and number of staff (such as testing engineers) required. During the Track Record Period and up to the Latest Practicable Date, we had been involved in providing ICV simulation testing services and/or ICV closed-course site testing services in cities, such as Beijing, Hangzhou and Shaoxing.

During the Track Record Period, a significant portion of our revenue was generated from the sale of our ICV simulation testing software and platforms and ICV data platforms and other products, which were generally entered into on a project-by-project basis and non-recurring in nature.

### ICV TESTING, VALIDATION AND EVALUATION SOLUTIONS

ICVs can be traditional internal combustion engine vehicles and new energy vehicles according to F&S, and our ICV testing, validation and evaluation solutions target ICVs in both forms. Like traditional vehicles, ICVs also need adequate and comprehensive simulation and/or physical testing to ensure their safety and reliability. The ICV testing, validation and evaluation solutions are to test and evaluate the actions like sensing, making decisions, and executing the intelligent driving system's full-time continuous operation under different scenarios.

Simulation testing of ICVs is generally used to specifically test the algorithms and their related key components of the intelligent driving systems of ICVs instead of the whole vehicles. According to F&S, among the several methods of ICV testing, validation and evaluation, simulation testing is the most commonly used method, as over 90% of the autonomous driving tests (including simulation tests, closed-course site tests and open-road tests) in the PRC are now conducted through simulation testing. Simulation technology employs simulation hardware and software and utilises mathematical methods to digitally imitate the characteristics and behaviours of real-world systems or processes. Vehicle simulation testing uses such simulation technology to construct relatively realistic driving scenarios to test and validate the functional completeness and safety of the vehicles in simulated testing environments. As compared to physical vehicle testing at closed-course sites or open roads, simulation testing can achieve a large number of vehicle tests in shorter time, in more extreme scenarios, and in a safer environment.



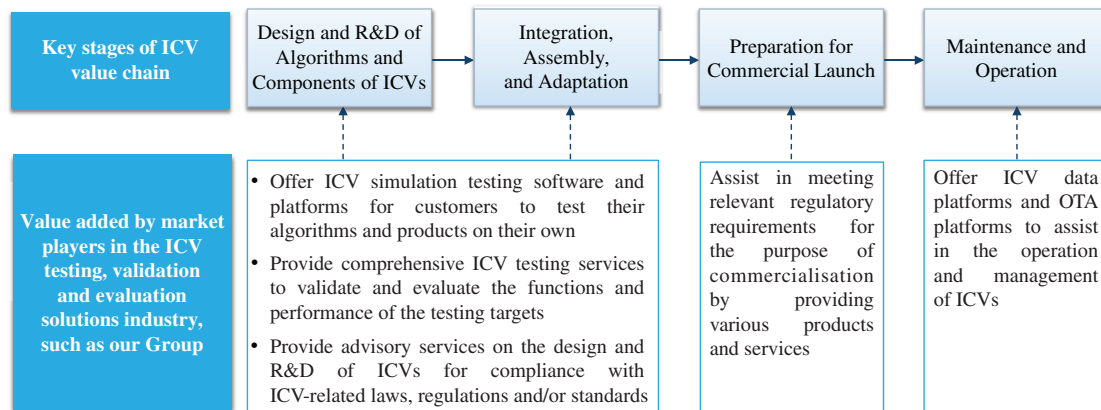
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## SUMMARY

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Open-road testing is an important validation method during the R&D process of ICVs. It assists in the R&D of ICVs by further validating and improving the safety and functionalities of ICVs through testing their performance under realistic, complex and random road and traffic conditions in the real world. Furthermore, at the market entry stage, similar to simulation testing and closed-course site testing, open-road testing is also a mandatory testing requirement for ICVs at L3 and above under relevant policies in the PRC. In this regard, ICVs need to be first tested through simulation tests and/or at closed-course testing sites for the purpose of being able to be tested on open roads as required by relevant road testing regulations in the PRC.

ICV testing, validation and evaluation solutions providers, such as our Group, play a critical role in ensuring the safety, reliability, functionality, comfortability and compliance capability of ICVs in certain key stages of the ICV value chain, and assisting ICV manufacturers in compliance with relevant regulatory requirements for commercial launch of ICVs. The flowchart below illustrates the key stages of the ICV value chain in the PRC where our solutions play a critical role:



Source: F&S

To the best knowledge and information of our Directors, our ICV simulation testing software and platforms can be utilised by our customers to test the algorithms and related key components of the intelligent driving systems of ICVs at any level from L1 to L5, whilst our ICV simulation testing and related services are generally required by our customers to test the algorithms and related key components of the intelligent driving systems of ICVs at L3 or above, and our ICV closed-course site testing and related services are generally related to ICVs at L1 to L3.

### The automotive and ICV industries in the PRC

The automotive industry in the PRC has entered the mature period after decades of development. The automotive sales volume in the PRC reached approximately 30.1 million units in 2023, accounting for approximately 36.1% of the global sales volume, making it the largest automotive market in the world. Looking forward, China's automotive industry is expected to maintain a steady pace of growth, with the automotive sales volume expected to reach approximately 35.7 million units in 2028, and China is expected to remain the world's largest automotive market with its market share reaching approximately 38.3% in 2028.

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## SUMMARY

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At present, the PRC intelligent driving technologies are still in the developing stage. The ADAS-level ICVs have realised massive production and their sales volume in the PRC increased from approximately 7.2 million units in 2019 to approximately 15.8 million units in 2023 at a CAGR of approximately 21.8%, and are expected to further increase from approximately 17.5 million units in 2024 to approximately 24.7 million units in 2030 at a CAGR of approximately 5.9%. However, ICVs at L3 and above have not yet reached market launch stage due to the absence of promulgated laws and regulations for their market entry and can only operate in the specific scenarios for the purpose of experiment and demonstration. ICVs at L3 are expected to be sold in the second half of 2025 in China and their sales volume is expected to reach approximately 7.1 million units in 2030, accounting for approximately 18.8% of the market size of China's ICV industry in 2030; and ICVs at L4 and above are expected to be first sold before the end of 2025 in China with expected sales volume of approximately 1.6 million units in 2030, accounting for approximately 4.3% of the market size of China's ICV industry in 2030. The penetration rate of ICVs at L3 or above has remained low in China, but it is expected to continuously increase from 2023 to 2030 and reach approximately 23.1% in 2030.

By 2023, there were approximately 300 to 400 ICV manufacturers in China, of which less than 50 were engaged in the development of autonomous driving solutions at L3 or above. In addition, potential direct downstream customers of ICV testing, validation and evaluation solutions providers include not only ICV manufacturers but also other market participants in the ICV industry, such as technology companies, which primarily include intelligent driving technology companies that focus on developing ICV-related software and hardware and providing innovative solutions in relation to various aspects of ICVs. Apart from these intelligent driving technology companies, our potential technology company customers may also include other types of technology companies specialising in technological solutions which can also be widely applied in the ICV and related industries. By 2023, there were approximately 500 to 600 intelligent driving technology companies in the PRC, which also require different levels and aspects of ICV-related testing solutions. Such 300 to 400 ICV manufacturers and 500 to 600 intelligent driving technology companies form our primary target customers. As such, our business is materially subject to the laws, regulations and government policies relating to the ICV industry. According to F&S, there is no overlapping in ICV testing, validation and evaluation solutions providers' potential customer base between those ICV manufacturers and technology companies.

### **Our products and services to capture the market trends and opportunities**

Driven by the continuous development of intelligent driving technologies and increasing acceptance of intelligent vehicles in China, the market size by revenue of China's ICV testing, validation and evaluation solutions industry has also experienced steady growth, increasing from approximately RMB1.2 billion in 2019 to approximately RMB3.3 billion in 2023, representing a CAGR of approximately 27.8%. Further, it is expected that the market share of ICV simulation testing software and platforms in terms of revenue in China's ICV testing, validation and evaluation solutions market will maintain over 50% in 2023 and further increase to nearly 60% in 2030.

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## SUMMARY

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We assist our customers in building their own ICV simulation testing platforms and ICV data platforms. This gives us a competitive advantage over our major foreign competitors (including three of the four foreign players out of the top five market players in China's ICV simulation testing software and platforms market in 2023) which do not provide ICV simulation testing platforms and ICV data platforms in China whereas their ICV simulation testing products sold in China are specific software of the ICV simulation testing and related solutions rather than platform-based integrated solutions in China, according to F&S. These products generally have no or minimal level of customisation. In addition, they generally do not support concurrent access by multiple or unlimited users and do not include adaptation, debugging and related customised maintenance services. Further, we are able to deliver our ICV simulation testing software and platforms in the form of cloud solutions by adopting the cloud infrastructure of third party providers (such as the Relevant Customer), which is in line with the industry trend for cloud-based ICV simulation testing technologies.

### OUR COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths contribute to our success and are essential for our future growth: (i) self-developed core technologies in the field of ICV simulation testing; (ii) product and service portfolio built upon our core technologies; (iii) strong in-house R&D capabilities and technical know-how with wide market recognition; (iv) in-depth knowledge and understanding of the ICV-related laws, regulations, policies and standards and the development trends of the ICV industry; and (v) a management team with proven track records.

### OUR STRATEGIES

We will focus on the following business strategies to maintain our market competitiveness: (i) to continue to optimise and upgrade our existing solutions and strengthen our technological advantages; (ii) to increase our investment in the innovation of new products and solidify our market presence in the ICV testing, validation and evaluation solutions industry; (iii) to grow our customer base and geographically expand our market coverage; (iv) to grow our talent pool to support our business development plans; and (v) to expand the application of simulation technologies and explore business opportunities in other industries.

### SEASONALITY

We have experienced and expect to continue to experience period-to-period fluctuations in our results of operations primarily due to the project-based nature of our business and our policy for revenue recognition. During the Track Record Period, we delivered more projects and recorded more revenue in the second half than the first half of the year primarily due to the reasons as set out in “Business – Seasonality” in this prospectus. As advised by F&S, it is not uncommon and commercially justifiable for some market players, in particular those offering ICV testing, validation and evaluation products and services which involve a high degree of customisation, like our Group, to experience seasonal fluctuations in their operating results.

## SUMMARY

### MAJOR RISK FACTORS

There are risks associated with investment in our H Shares, among which, the relatively major ones include:

- (i) the ICV industry, and the ICV testing, validation and evaluation solutions industry are still at an early stage of development and may be subject to unforeseen changes and uncertainties;
- (ii) we generally provide products and services to our customers on a project-by-project and non-recurring basis and are therefore exposed to the risk of business uncertainties and fluctuations in our revenue and gross profit margins from time to time;
- (iii) we are subject to credit risk associated with our trade and notes receivables. Any payment delays or defaults from our customers may materially and adversely affect our cash flow and results of operations;
- (iv) we may not be successful in the tender processes for our projects and our business and financial condition may be adversely affected; and
- (v) we derived a significant portion of our revenue from a limited number of customers during the Track Record Period and may continue to be exposed to the risk of customer concentration subsequent to the Track Record Period.

### OUR CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, we conducted our operations and business in and all of our revenue was derived from the PRC, which was attributable to customers in either the public sector or the private sector. The following table sets forth a breakdown of our revenue attributable to public and private sector customers for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Public sector										
customers <sup>(Note 1)</sup>	84,819	79.3	9,026	6.2	20,607	11.7	12,922	59.7	8,745	15.7
Private sector										
customers <sup>(Note 2)</sup>	22,087	20.7	136,359	93.8	155,096	88.3	8,705	40.3	46,815	84.3
Total	106,906	100.0	145,385	100.0	175,703	100.0	21,627	100.0	55,560	100.0

## SUMMARY

*Notes:*

1. Our public sector customers mainly include SOEs and the PRC governments and our products and services offered thereto are ultimately for the government's administrative and public usage purposes, such as, in respect of our ICV data platforms, the collection, storage, processing and management of vehicle data of ICVs so as to facilitate the government's administration of ICVs (including the determination of liabilities in traffic accidents involving ICVs). During the Track Record Period, we mainly provided ICV simulation testing software and platforms, ICV data platforms, and advisory and other services to our public sector customers.
2. Our private sector customers mainly include automotive manufacturers and technology companies and our products and services offered thereto are ultimately for their private and commercial purposes. During the Track Record Period, we mainly provided ICV simulation testing software and platforms, other products (including hardware parts and components, and OTA platforms), ICV testing and related services, and advisory and other services to our private sector customers.

The following table sets forth a breakdown of our gross profit and gross profit margin attributable to our public and private sector customers for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	Gross		Gross		Gross		Gross		Gross	
	profit		profit		profit		profit		profit	
	margin		margin		margin		margin		margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Public sector										
customers	43,221	51.0	4,701	52.1	18,776	91.1	11,935	92.4	8,501	97.2
Private sector										
customers	20,823	94.3	90,675	66.5	105,788	68.2	1,249	14.3	30,563	65.3
Total/Overall	64,044	59.9	95,376	65.6	124,564	70.9	13,184	61.0	39,064	70.3

During the Track Record Period, only a small portion of our revenue was generated from contracts signed directly with the PRC governments, which amounted to approximately RMB1.0 million, RMB6.7 million, RMB0.5 million and RMB0.9 million, respectively, representing approximately 1.0%, 4.6%, 0.3% and 1.6% of our total revenue, respectively. As compared to Income from Government where there is no transfer of control of products or services to the contracting PRC government authorities, our revenue from the PRC governments represents the sale of goods or services which involves transfer of controls to the contracting PRC government authorities. During the Track Record Period, we received Income from Government of approximately RMB11.4 million, RMB5.0 million, RMB26.8 million and RMB9.7 million, respectively, which were in relation to ICV-related projects and were categorised as government grants in other income in our financial statements. According to our accounting policy, as there is no transfer of control of products or services to the contracting PRC government authorities, such income was not accounted for as revenue. For details, please refer to “Business – Income from Government” and “Financial information – Discussion of

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## SUMMARY

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selected items in consolidated statements of comprehensive income – Other income” in this prospectus. During the Track Record Period, our customers included companies or entities located across China, the major ones of which are located or headquartered in Beijing, Zhejiang Province, Guangdong Province, Shanxi Province, Jilin Province and Henan Province.

During the Track Record Period, we generated revenue of approximately RMB7.0 million, RMB53.7 million, RMB48.1 million and RMB26.8 million from subsequent sales of our products and services to customers who had previously purchased the same category of products or services from us in any given year, respectively, which accounted for approximately 6.6%, 37.0%, 27.4% and 48.3% of our total revenue, respectively. For details on the examples of recurring purchases of our products and services by our existing customers, please refer to “Business – Our customers – Sustainability of our Group’s business – (5) Our ability and strategies to obtain new contracts from existing customers – (a) Examples of purchases of our products and services by existing customers during the Track Record Period” in this prospectus.

In addition, recurring revenue can be derived from our existing customers of ICV testing and related services, as different ICV models of the same automotive manufacturer require separate ICV testing. Repeated ICV testing are generally required for the same automotive manufacturer for each ICV model when, among others, (i) such ICV model has incorporated new algorithms and components in relation to intelligent driving; (ii) such ICV model has major upgrades and changes of the existing algorithms and components in relation to intelligent driving; (iii) the automotive manufacturer wishes to choose different XiL testing methods under various scenarios; and (iv) the promulgation of new laws, regulations and standards may affect the criteria and scope of ICV testing.

Our business operations are subject to a relatively high level of customer concentration, mainly as a result of there being only a limited number of customers involved in the preliminary development stage of the ICV industry in the PRC, with such concentration being even more skewed by the substantial contract sum of our ICV-related platform projects engaged by certain of our major customers. Nevertheless, our top five customers generally varied from year/period to year/period depending on the type of the product or service we provided for them during the Track Record Period. Please refer to “Business – Our customers – Customer concentration” in this prospectus for further details. For each financial year/period during the Track Record Period, our revenue generated from our top five customers collectively accounted for approximately 93.4%, 67.2%, 55.8% and 76.1% of our total revenue, respectively, whilst our revenue generated from our largest customer accounted for approximately 39.0%, 24.4%, 22.8% and 29.8% of our total revenue, respectively. Nonetheless, our Directors consider that our business model is sustainable. For further details, please refer to “Business – Our customers – Sustainability of our Group’s business” in this prospectus.

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## SUMMARY

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During the Track Record Period, our revenue generated from the Relevant Customer amounted to approximately RMB7.7 million, RMB35.5 million, RMB13.1 million and RMB0.5 million, respectively, representing approximately 7.2%, 24.4%, 7.5% and 0.9% of our total revenue, respectively. Although the Relevant Customer has been added to the Entity List and the NS-CMIC List in recent years and is subject to the U.S. Export Control Restrictions when receiving any items subject to EAR, in terms of our potential impact of the sanctions, that U.S. government may restrict us for the business relationship with, or the ownership controlled by the Relevant Customer, King & Wood Mallesons advised that the risk of our business violating any sanction regulations under the U.S. sanction regimes is extremely low. In view of the business nature, the origin of the key products, the export control rules on the design tools and the identity of the customers of our Group as at the Latest Practicable Date, there is no indication that our business is subject to sanctions risk as identified under Chapter 4.4 (Sanctions Risks) of the Guide for New Listing Applicants. As at the Latest Practicable Date, U.S. export control restrictions and sanction programme on the Relevant Customer and its affiliated entities are not applicable to our ongoing business, and King & Wood Mallesons and the Sole Sponsor are of the view that sanctions in relation to the Relevant Customer had no impact on our business and the Relevant Customer's revenue contribution to our Group during the Track Record Period considering factors above. Further, we have established a risk control and management committee to monitor, control or mitigate the risks regarding International Sanctions Laws. King & Wood Mallesons and our Directors are of the view that there is a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanction laws. For further details, please refer to "Business – Legal compliance and proceedings – Business activities with the Relevant Customer subject to International Sanctions Laws" in this prospectus.

### OUR SUPPLIERS

Our suppliers mainly include (i) hardware and components suppliers who mainly provide data storage and processing devices, servers and simulation equipment; (ii) technology and software suppliers who are mainly commissioned by our Group to conduct non-core R&D exercises for our revenue projects. Examples of non-core R&D exercises include the provision of data collection solutions and services, and the development of customised operation systems (e.g. Linux); and (iii) services providers. Our suppliers are all based in China.

For each financial year/period during the Track Record Period, the purchases from our top five suppliers collectively accounted for approximately 99.6%, 97.3%, 98.6% and 99.5% of our total purchases, respectively, and the purchases from our largest supplier accounted for approximately 35.1%, 86.2%, 87.7% and 93.5% of our total purchases, respectively. The significant increase in the purchases from our largest supplier from FY2021 to FY2023 was primarily attributable to (i) the supply of hardware parts and components in respect of the increase in the sale of our other products of hardware parts and components during FY2022; and (ii) the significant procurement costs incurred for Project K during FY2023. Please refer to "Business – Our suppliers – Supplier concentration" in this prospectus for further details.



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## SUMMARY

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### OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Space Technology was wholly-owned by the Management Group as to approximately 64.1%, 25.6% and 10.3% by Mr. Hu, Ms. Ma and Mr. He, respectively; and Tongda, being the Employee Incentive Platform, of which Mr. Hu is the executive partner responsible for representing Tongda and executing the partnership affairs, including exercising Tongda's shareholder rights in its invested enterprises and assuming the relevant civil obligations and liabilities in accordance with the PRC laws, was owned as to approximately 50.0%, 44.1%, 2.1% and 3.8% by Mr. Hu, Mr. He, Ms. Ma and 14 other employees of our Group, respectively. Space Technology and Tongda have been acting in concert with each other since Tongda has become a Shareholder of our Company, as a result of which Space Technology and Tongda are collectively interested in approximately 45.5% of the total issued share capital of our Company as at the Latest Practicable Date. Space Technology and Tongda entered into the Concert Party Agreement on 8 October 2021 to formalise their voting arrangement.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Space Technology and Tongda will be collectively interested in approximately 34.1% of the total issued share capital of our Company. Accordingly, Mr. Hu, Ms. Ma and Mr. He, together through Space Technology and Tongda, will together continue to control more than 30% of the total issued share capital of our Company. As such, Space Technology, Tongda, Mr. Hu, Ms. Ma and Mr. He, will together form a group of Controlling Shareholders upon the Listing.

### CONTINUING CONNECTED TRANSACTION

We have entered into and expect to continue on an on-going basis after the Listing certain transaction with our connected person which will constitute continuing connected transaction under Chapter 14A of the Listing Rules upon Listing but will be fully exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements. Please refer to "Connected transaction" in this prospectus for further details.

### PRE-IPO INVESTMENTS

Our Company obtained several rounds of investments from the Pre-IPO Investors through subscriptions for increased registered capital of our Company in an aggregate sum of approximately RMB287 million. Our Pre-IPO Investors include GQC Zhiyuan, Beijing Shunyi, Hubble, Beijing Cornerstone, CITICS Investment, Jingwei Hengrun, GQC Junhe, and Zhongguancun. Please refer to "History, development and corporate structure – Pre-IPO Investments" in this prospectus for further details.



## SUMMARY

### KEY OPERATIONAL AND FINANCIAL INFORMATION

#### Selected items of our consolidated statements of comprehensive income

	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	106,906	145,385	175,703	21,627	55,560
Gross profit	64,044	95,376	124,564	13,184	39,064
Profit/(loss) before income tax	39,131	48,686	50,755	(11,978)	(6,746)
Profit/(loss) and total comprehensive income/(losses) for the year/period	37,571	48,686	53,431	(11,065)	(4,599)
Profit/(loss) and total comprehensive income/(losses) attributable to:					
Owners of our Company	37,747	50,330	55,479	(9,898)	(4,743)
Non-controlling interests	(176)	(1,644)	(2,048)	(1,167)	144

#### Non-IFRS measure

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, our Group also uses adjusted profit/(loss) (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRSs.

Our Group believes that this non-IFRS measure facilitates comparisons of our operating performance between different financial years/periods and different entities by eliminating the potential impact of certain items. Our Group believes that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.

However, our presentation of adjusted profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other entities. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

Our Group defines adjusted profit/(loss) (non-IFRS measure) as profit/(loss) for the year/period which is adjusted by eliminating (i) share-based payment expenses; and (ii) listing expenses.

## SUMMARY

The following table reconciles our adjusted profit/(loss) for the year/period (non-IFRS measure) presented in accordance with IFRSs, which is profit/(loss) for the year/period:

	Year ended 31 December			Six months ended	
				30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Profit/(loss) for the year/period</b>	<u>37,571</u>	<u>48,686</u>	<u>53,431</u>	<u>(11,065)</u>	<u>(4,599)</u>
Add:					
– Share-based payment expenses <sup>(Note 1)</sup>	1,036	1,135	938	474	604
– Listing expenses <sup>(Note 2)</sup>	<u>–</u>	<u>573</u>	<u>606</u>	<u>31</u>	<u>155</u>
<b>Adjusted profit/(loss) for the year/period (non-IFRS measure)</b>	<u>38,607</u>	<u>50,394</u>	<u>54,975</u>	<u>(10,560)</u>	<u>(3,840)</u>

Notes:

- (1) Share-based payment expenses are adjusted for as they are non-cash in nature and do not result in cash outflow.
- (2) Listing expenses are adjusted for as they were incurred for the purpose of the Listing.

## Revenue

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
<b>Our products</b>										
ICV simulation testing software and platforms	60,780	56.9	81,100	55.8	100,492	57.2	1,643	7.6	31,321	56.4
– ICV simulation testing platforms	41,427	38.8	30,600	21.0	61,850	35.2	–	–	16,566	29.8
– Standalone software products	19,353	18.1	50,500	34.8	38,642	22.0	1,643	7.6	14,755	26.6
ICV data platforms and other products	41,921	39.2	39,454	27.1	19,921	11.3	9,745	45.1	10,903	19.6

## SUMMARY

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
– ICV data platforms	41,921	39.2	1,407	0.9	17,798	10.1	9,745	45.1	10,903	19.6
– Other products	–	–	38,047	26.2	2,123	1.2	–	–	–	–
<b>Subtotal</b>	<b>102,701</b>	<b>96.1</b>	<b>120,554</b>	<b>82.9</b>	<b>120,413</b>	<b>68.5</b>	<b>11,388</b>	<b>52.7</b>	<b>42,224</b>	<b>76.0</b>
<b>Our services</b>										
ICV testing and related services	2,254	2.1	12,440	8.6	38,970	22.2	8,317	38.5	6,638	12.0
Advisory and other services	1,951	1.8	12,391	8.5	16,320	9.3	1,922	8.8	6,698	12.0
<b>Subtotal</b>	<b>4,205</b>	<b>3.9</b>	<b>24,831</b>	<b>17.1</b>	<b>55,290</b>	<b>31.5</b>	<b>10,239</b>	<b>47.3</b>	<b>13,336</b>	<b>24.0</b>
<b>Total</b>	<b>106,906</b>	<b>100.0</b>	<b>145,385</b>	<b>100.0</b>	<b>175,703</b>	<b>100.0</b>	<b>21,627</b>	<b>100.0</b>	<b>55,560</b>	<b>100.0</b>

### Gross profit and gross profit margin

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	Gross Gross profit profit margin	Gross profit margin	Gross profit/ (loss) margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
<b>Our products</b>										
ICV simulation testing software and platforms	51,633	85.0	78,455	96.7	67,323	67.0	1,640	99.8	22,296	71.2
– ICV simulation testing platforms	33,695	81.3	28,336	92.6	32,802	53.0	–	N/A	16,410	99.1
– Standalone software products	17,938	92.7	50,119	99.2	34,521	89.3	1,640	99.8	5,886	39.9
ICV data platforms and other products	8,987	21.4	11,032	28.0	18,204	91.4	8,850	90.8	10,000	91.7

## SUMMARY

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	Gross		Gross		Gross		Gross		Gross	
	Gross	profit	profit/	profit	Gross	profit	Gross	profit	Gross	profit
	profit	margin	(loss)	margin	profit	margin	profit	margin	profit	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
– ICV data platforms	8,987	21.4	1,274	90.5	16,813	94.5	8,850	90.8	10,000	91.7
– Other products	–	N/A	9,758	25.6	1,391	65.5	–	N/A	–	N/A
	60,620	59.0	89,487	74.2	85,527	71.0	10,490	92.1	32,296	76.5
<b>Our services</b>										
ICV testing and related services	2,098	93.1	(617)	(5.0)	25,647	65.8	903	10.9	1,492	22.5
Advisory and other services	1,326	68.0	6,506	52.5	13,390	82.0	1,791	93.2	5,276	78.8
	3,424	81.4	5,889	23.7	39,037	70.6	2,694	26.3	6,768	50.7
<b>Total/Overall</b>	<b>64,044</b>	<b>59.9</b>	<b>95,376</b>	<b>65.6</b>	<b>124,564</b>	<b>70.9</b>	<b>13,184</b>	<b>61.0</b>	<b>39,064</b>	<b>70.3</b>

The strong increase in our gross profit during the Track Record Period was primarily in line with the increase in our revenue.

The gross profit margin of our products is affected by, among other things, their customisation levels. Our products with a higher degree of customisation (such as ICV simulation testing platforms and customised ICV simulation testing software) generally have lower gross profit margin, as such products generally require more procurement of hardware or software from external suppliers and/or more software development work to be performed by us. Generally, the more customised the products, the higher level of procurements costs and/or labour costs which may be incurred. On the other hand, our products with a lower degree of customisation (such as standalone *Safety Pro* and *Sim Pro* software) generally have higher gross profit margin, as such products generally require less procurement of hardware or software, or performance of extra development work.

Our overall gross profit margin increased from FY2021 to FY2022 primarily due to:

- (i) the increase in our gross profit margin from ICV simulation testing software and platforms mainly due to the increase in the sales of standalone ICV simulation testing software that incurred limited direct costs;

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## SUMMARY

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- (ii) the increase in our gross profit margin from ICV data platforms mainly due to the fact that the ICV data platforms sold during FY2021 involved higher procurement costs associated with a higher degree of hardware parts and components while the ICV data platform sold during FY2022 mainly involved software and therefore no procurement costs for hardware parts and components were incurred as a result;
- (iii) the recognition of a relatively higher gross profit margin from other products for FY2022 as compared to our overall gross profit margin from ICV data platforms and other products for FY2021 mainly because of more favourable prices of hardware mainly in respect of our ongoing relationship with and increased purchases from a major supplier during FY2022;
- (iv) the decrease in our gross profit margin from ICV testing and related services mainly due to a lower level of revenue from ICV testing services than depreciation of right-of-use assets in respect of the Shunyi Testing Site during FY2022 mainly because of (a) the COVID-19 resurgences and containment measures adopted in China during 2022 causing the slow down of R&D activities and plans in the ICV industry according to F&S, resulting in a reduction in orders for our services provided at the Shunyi Testing Site; (b) postponement in contract negotiations and signing due to the implementation of travel restriction policies back then; and (c) the restrictive measures and temporary shutdowns of the Shunyi Testing Site during 2022 affecting our ability to provide our services at the site; and
- (v) the decrease in our gross profit margin from advisory and other services mainly due to a relatively lower gross profit margin generated from a drone-related transport and logistics advisory project during FY2022 as a result of the increase in our professional fees, which were transportation costs paid to our major suppliers for their delivery services via drones in relation to a drone-related transport and logistics advisory project for a local government authority in Hangzhou.

Our overall gross profit margin increased from FY2022 to FY2023 primarily due to:

- (i) the increase in our gross profit margin from ICV testing and related services mainly due to (a) more business of closed-course site tests and related services at the Shunyi Testing Site following the ease of COVID-19 related containment measures across China since December 2022, resulting in the increase in our revenue generated from the provision for closed-course site tests and related services from approximately RMB8.6 million for FY2022 to approximately RMB26.9 million for FY2023; and (b) the decrease in our depreciation of right-of-use assets in respect of the Shunyi Testing Site from approximately RMB12.8 million for FY2022 to approximately RMB9.4 million for FY2023 attributable to the extension of lease term of the Shunyi Agreement during FY2023;

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## SUMMARY

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- (ii) the increase in our gross profit margin from advisory and other services mainly due to a relatively lower gross margin generated from a drone-related transport and logistics advisory project for a local government authority in Hangzhou during FY2022 as discussed above;
- (iii) the increase in our gross profit margin from ICV data platforms and other products mainly due to the fact that (a) for FY2022, most of our revenue from ICV data platforms and other products was contributed by other products and our gross profit margin generated from other products was relatively low during FY2022 as a result of the significant procurement costs incurred for the supply of hardware parts and components; and (b) for FY2023, most of our revenue from ICV data platforms and other products was contributed by the sale of ICV data platforms and our gross profit margin generated from ICV data platforms was relatively higher during FY2023 because we only delivered software of the ICV data platforms to our customers during FY2023 without incurring any procurement costs of hardware and servers; and
- (iv) the decrease in our gross profit margin from ICV simulation testing software and platforms mainly due to (a) the increase in our procurement costs incurred mainly due to the fact that Project K sold in FY2023 involved the requirement for the procurement of related hardware components; and (b) the increase in our staff costs incurred mainly due to more customisation works for our ICV simulation testing platforms sold during FY2023 which therefore involved more costs of labour in developing our products.

Our overall gross profit margin increased from 6M2023 to 6M2024 primarily due to:

- (i) the revenue generated from ICV simulation testing platforms for 6M2024 which had a gross profit margin of approximately 99.1% while no revenue was generated from ICV simulation testing platforms for 6M2023, which was partially offset by the decrease in our gross profit margin from the sale of standalone software products from approximately 99.8% for 6M2023 to approximately 39.9% for 6M2024; and
- (ii) the increase in our gross profit margin from the provision of services from approximately 26.3% for 6M2023 to approximately 50.7% for 6M2024 mainly due to the increase in revenue generated from advisory and other services which had a gross profit margin of approximately 78.8% for 6M2024.

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## SUMMARY

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### **Profit/(loss) for the year/period**

The increase in our profit for the year from approximately RMB37.6 million for FY2021 to approximately RMB48.7 million for FY2022 was primarily attributable to the increase in our gross profit, partially offset by (i) the increase in our general and administrative expenses mainly due to the increase in (a) the number of our administrative staff; and (b) our amortisation and depreciation of administrative equipment and intangible assets; (ii) the increase in our selling and marketing expenses mainly due to the expansion of our sales and marketing team for the business expansion of our ICV closed-course site tests and related services; and (iii) the increase in our R&D expenses mainly due to the increase in (a) our amortisation and depreciation of R&D equipment and intangible assets; (b) our procurement of R&D materials; (c) our professional fees; and (d) our commissioned external R&D expenses.

The increase in our profit for the year to approximately RMB53.4 million for FY2023 was primarily attributable to (i) the increase in our gross profit; and (ii) the increase in our other income mainly due to the increase in our Income from Government primarily contributed by Government Contract 3, and Government Contract 8 to Government Contract 10, partially offset by the increase in our R&D expenses mainly due to (i) the increase in our staff costs mainly due to the further expansion of our R&D team; (ii) the increase in our amortisation and depreciation mainly due to the additions of equipment and intangible assets for government-commissioned projects and R&D purpose; and (iii) the increase in our commissioned external R&D expenses mainly for government-commissioned projects.

Our loss for the period decreased from approximately RMB11.1 million for 6M2023 to approximately RMB4.6 million for 6M2024, which was primarily attributable to (i) the increase in our gross profit; and (ii) the credit loss allowance reversal for 6M2024 as compared to credit loss allowance recognised for 6M2023. We incurred a loss for each of 6M2023 and 6M2024 mainly because we generally deliver more projects and record more revenue in the second half than the first half of the year, and the revenue and income we generated for 6M2023 and 6M2024 could not cover the costs and expenses incurred for such periods, respectively.

However, we experienced a decline in our net profit/(loss) margin from approximately 35.1% for FY2021 to approximately 33.5% for FY2022, which was primarily attributable to (i) the increase in our general and administrative expenses from approximately RMB15.8 million (or approximately 14.8% of our total revenue) for FY2021 to approximately RMB26.2 million (or approximately 18.0% of our total revenue) for FY2022 mainly due to (a) the increase in our employee benefit expenses by approximately RMB4.9 million from FY2021 to FY2022 mainly as a result of the increase in the number of our administrative staff in response to our business expansion, and (b) an increase in amortisation and depreciation by approximately RMB3.3 million from FY2021 to FY2022 mainly as a result of the additions of equipment and intangible assets for administrative purposes in response to our business expansion; and (ii) the decrease in our government grants in other income from approximately RMB13.2 million (or approximately 12.3% of our total revenue) for FY2021 to approximately RMB9.2 million (or approximately 6.3% of our total revenue) for FY2022 mainly due to the decrease in our Income

## SUMMARY

from Government by approximately RMB6.4 million primarily attributable to the recognition of Income from Government of approximately RMB10.0 million in respect of Government Contract 1 during FY2021 as opposed to the recognition of Income from Government of approximately RMB3.2 million only in respect of new Government Contracts (namely Government Contract 4 to Government Contract 8) during FY2022.

Our net profit/(loss) margin further decreased to approximately 30.4% for FY2023, which was primarily attributable to (i) the increase in our R&D expenses from approximately RMB30.9 million (or approximately 21.3% of our total revenue) for FY2022 to approximately RMB71.3 million (or approximately 40.6% of our total revenue) for FY2023 which was mainly due to (a) the increase in our staff costs by approximately RMB17.3 million from FY2022 to FY2023 mainly because of the increase in the number of our R&D staff in response to the further expansion of our R&D team, (b) the increase in amortisation and depreciation by approximately RMB11.9 million from FY2022 to FY2023 mainly because of the additions of equipment in relation to government-commissioned projects and for R&D purposes, and (c) the increase in our commissioned external R&D expenses by approximately RMB9.4 million from FY2022 to FY2023 mainly because of the increase in our processing, testing and verification fees of government-commissioned projects; and (ii) the increase in our credit loss allowance recognised from approximately RMB2.0 million (or approximately 1.3% of our total revenue) for FY2022 to approximately RMB7.0 million (or approximately 4.0% of our total revenue) for FY2023 mainly due to the increase in our credit loss allowance on trade and notes receivables which was mainly because of the increase in the average age of our trade and notes receivables as at 31 December 2023.

Our net profit/(loss) margin further decreased to approximately (8.3)% for 6M2024, which was primarily attributable to the fact that we incurred a loss of approximately RMB4.6 million for 6M2024.

### Selected information of our consolidated balance sheets

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	40,174	102,118	151,481	137,842
Current assets	275,790	442,641	449,333	427,287
Non-current liabilities	9,169	25,061	42,149	17,312
Current liabilities	41,773	72,855	57,253	50,400
Net current assets	234,017	369,786	392,080	376,887
Net assets	265,022	446,843	501,412	497,417
Non-controlling interests	6,194	4,550	2,702	2,846



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## SUMMARY

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### Net current assets

The increase in our net current assets from 31 December 2021 to 31 December 2022 was primarily attributable to (i) the increase in our trade and notes receivables because of the reasons described below; and (ii) the increase in our cash and cash equivalents mainly due to the available funds from the capital injection through Series A+ Financing in March and May 2022.

The further increase in our net current assets from 31 December 2022 to 31 December 2023 was primarily attributable to (i) the increase in our trade and notes receivables because of the reasons described below; (ii) the increase in the current portion of our financial assets at fair value through profit or loss in respect of our wealth management products; and (iii) the decrease in our trade payables mainly due to our substantial settlement of trade payables as at 31 December 2022 during FY2023, partially offset by the decrease in our cash and cash equivalents.

The decrease in our net current assets from 31 December 2023 to 30 June 2024 was primarily attributable to (i) the decrease in cash and cash equivalents; and (ii) the increase in lease liabilities, partially offset by (i) the increase of term deposits with initial term of three months; and (ii) an increase in our contract fulfilment costs.

Our trade and notes receivables increased from approximately RMB49.4 million as at 31 December 2021 to approximately RMB140.0 million as at 31 December 2022, and further to approximately RMB165.7 million as at 31 December 2023, which was mainly due to the increase in our revenue as a result of the growth of our business and the fact that most of our projects were completed in the last quarter of each year during the Track Record Period resulting in a majority of the trade and notes receivables remaining unsettled as at the end of each financial year. Our trade and notes receivables decreased to approximately RMB150.0 million as at 30 June 2024 as a result of settlement by our customers.

Our trade and notes receivables turnover days increased from approximately 113.2 days for FY2021 to approximately 237.8 days for FY2022, which was primarily attributable to (i) the increase in our trade and notes receivables aged up to six months from approximately RMB41.5 million as at 31 December 2021 to approximately RMB119.7 million as at 31 December 2022 mainly due to (a) the increase in our revenue from FY2021 to FY2022; and (b) the fact that most of our projects were completed in the last quarter of each year and therefore a majority of the trade and notes receivables remained unsettled as at the end of each financial year; and (ii) the increase in our trade and notes receivables aged over two years from approximately RMB50,000 as at 31 December 2021 to approximately RMB10.2 million as at 31 December 2022 mainly attributable to the increase in our trade and notes receivables aged over two years from an SOE customer in Changsha, Hunan from nil as at 31 December 2021 to approximately RMB8.9 million as at 31 December 2022.

Our trade and notes receivables turnover days further increased to approximately 317.5 days for FY2023, which was primarily attributable to (i) the increase in our trade and notes receivables aged between one year and two years from approximately RMB3.4 million as at 31 December 2022 to approximately RMB35.1 million as at 31 December 2023 mainly attributable to the increase in our trade and notes receivables aged between one year and two years from certain customers (mainly including (i) the Relevant Customer, which is a leading global information and communications technology solutions and smart devices provider and our fifth largest, largest and fourth largest customer for FY2021, FY2022 and FY2023, respectively; and (ii) Customer E, which is a PRC company principally engaged in technology development and provision of computer system services and our fourth largest customer for FY2022).

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## SUMMARY

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Our trade and notes receivables turnover days further increased to 517.1 days for 6M2024 mainly because of (i) significant long outstanding trade and notes receivables of approximately RMB150.0 million as at 30 June 2024 which were mainly due from the Relevant Customer and Customer E; and (ii) the significant opening balance of our trade and notes receivables as at 31 December 2023 coupled with a relatively low level of our revenue during 6M2024. As at 30 June 2024, our trade and notes receivables aged over one year from the Relevant Customer and Customer E were approximately RMB18.7 million and RMB11.5 million, respectively, and as at the Latest Practicable Date, RMB12.4 million (or approximately 66.3%) and RMB11.5 million (or 100%), respectively, were subsequently settled.

To the best knowledge and information of our Directors, we believe that our trade and notes receivables aged between one year and two years as at 30 June 2024, which primarily included trade and notes receivables from the Relevant Customer and Customer E, are recoverable since: (a) the Relevant Customer is one of the largest and most reputable technology companies in the PRC; (b) we have continuous and proven business relationship with the Relevant Customer and we expect to explore and develop new business opportunities with them; (c) there was no history of defaults of trade and notes receivables from the Relevant Customer; (d) Customer E has completed further capital financing in late 2023; (e) Customer E had entered into an agreement with us to repay the outstanding amount in full by four instalments in 2024; and (f) we have constantly received payments from Customer E.

The amount of our trade and notes receivables aged over two years as at 31 December 2022 was higher than that aged over one year as at 31 December 2021, which was primarily attributable to the fact that (i) certain consideration receivables of approximately RMB2.0 million were initially recorded as contract assets when the corresponding revenue was recognised, and were then reclassified as trade and notes receivables at the time when our rights to the relevant consideration became unconditional during FY2022; and (ii) we commenced to count the age of such contract assets since their initial recognition and continued to accumulate their age after they were reclassified as trade and notes receivables during FY2022.

As at the Latest Practicable Date, approximately RMB49.6 million (or approximately 99.9% of our gross trade and notes receivables as at 31 December 2021, approximately RMB133.5 million (or approximately 93.9%) of our gross trade and notes receivables as at 31 December 2022, approximately RMB137.3 million (or approximately 78.7%) of our gross trade and notes receivables as at 31 December 2023, and approximately RMB96.7 million (or approximately 61.6%) of our gross trade and notes receivables as at 30 June 2024 were subsequently settled.

For further details, please refer to “Financial Information – Discussion of selected items of consolidated balance sheets – Trade and notes receivables” in this prospectus.

### **Net assets**

The significant increase in our net assets from 31 December 2021 to 31 December 2022 was primarily attributable to (i) our profit generated during FY2022; and (ii) the capital injection through Series A+ Financing in March and May 2022. The further increase in our net assets from 31 December 2022 to 31 December 2023 was primarily attributable to our profit generated during FY2023. Our net assets remained relatively stable from 31 December 2023 to 30 June 2024.

## SUMMARY

### Selected information of our consolidated statements of cash flows

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Operating cash flows before working capital changes	40,190	67,031	91,849	1,695	16,637
Changes in working capital	(43,589)	(75,156)	(44,423)	64	(17,576)
Interest received	1,590	1,716	3,040	2,065	1,493
Net cash (used in)/generated from operating activities	(1,809)	(6,409)	50,466	3,824	554
Net cash used in investing activities	(107,035)	(40,596)	(52,557)	(4,495)	(66,808)
Net cash generated from/(used in) financing activities	148,595	116,214	(30,524)	(22,153)	(18,087)
Net increase/(decrease) in cash and cash equivalents	39,751	69,209	(32,615)	(22,824)	(84,341)
Cash and cash equivalents at beginning of the year/period	42,086	81,837	151,046	151,046	118,431
Cash and cash equivalents at end of the year/period	81,837	151,046	118,431	128,222	34,090

We recorded net cash used in operating activities for FY2021 and FY2022, which was primarily attributable to the increase in our revenue not yet settled by our customers as at the end of the year, causing a strong increase in our trade and notes receivables.

### Key financial ratios

	Year ended/As at 31 December			Six months ended/As at
	2021	2022	2023	30 June 2024
Net profit/(loss) margin	35.1%	33.5%	30.4%	(8.3)%
Current ratio	6.6	6.1	7.8	8.5
Gearing ratio	2.1%	8.4%	8.1%	5.5%
Return on assets	17.6%	11.3%	9.3%	N/A
Return on equity	23.0%	14.4%	11.8%	N/A
Interest coverage ratio	136.9	30.0	35.5	(8.9)

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## SUMMARY

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### USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting fees and commission and estimated expenses payable by our Group in connection with the Global Offering) will be approximately HK\$427.9 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$15.0 per Offer Share (being the mid-point of the indicative Offer Price range). We intend to apply such net proceeds in the following manner:

- (i) approximately HK\$266.2 million, or approximately 62.2% of our net proceeds, will be allocated to our ongoing R&D investment to enhance our technological capabilities and enhance our key technological competitiveness, which include (a) approximately HK\$75.0 million, or approximately 17.5% of our net proceeds to be allocated to the R&D of our existing solutions, including *Sim Pro*, *Safety Pro*, *SceCo Pro*, and *Traffic Pro*; (b) approximately HK\$131.8 million, or approximately 30.8% of our net proceeds to be allocated to the R&D of new tools *SGO Pro*, *DB Pro* and *Cloud Pro*, as well as the lease of cloud services and development of our own cloud infrastructure; and (c) approximately HK\$59.4 million, or approximately 13.9% of our net proceeds to be allocated to R&D activities for penetrating into new industries, namely drones, digital city twin and intelligent agriculture-related industries;
- (ii) approximately HK\$118.9 million, or approximately 27.8% of our net proceeds will be used for the geographic expansion and marketing of our products and services; and
- (iii) approximately HK\$42.8 million, or approximately 10.0% of our net proceeds will be used for our general corporate purposes and to supplement our working capital.

Please refer to “Future plans and use of proceeds – Use of proceeds” in this prospectus for further details.

### DIVIDENDS AND DISTRIBUTABLE RESERVE

We did not declare or pay any dividend during the Track Record Period. After the Track Record Period and up to the Latest Practicable Date, we did not propose or declare any dividend to our Shareholders. Our Company currently does not have any predetermined dividend payout ratio. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future.

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## SUMMARY

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We do not currently have a formal dividend policy but have adopted one effective upon Listing. The payment and the amount of any dividends of our Company, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our Directors' discretion. Any distribution of dividends will also be subject to the approval of our Shareholders at Shareholders' meeting. Dividends may be paid only out of our distributable profits as permitted under the Articles of Association and relevant laws and regulations.

As at 30 June 2024, our Company had retained earnings of approximately RMB122.8 million as distributable reserve available for distribution to our Shareholders.

### GLOBAL OFFERING STATISTICS

All statistics in the table below are based on the assumption that (i) the Global Offering has been completed and 33,333,400 new H Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised.

	<b>Based on the low-end of the indicative Offer Price range of HK\$12.0</b>	<b>Based on the high- end of the indicative Offer Price range of HK\$18.0</b>
Market capitalisation <sup>(Note 1)</sup>	HK\$1,600.0 million	HK\$2,400.0 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(Note 2)</sup>	HK\$6.21	HK\$7.67

*Notes:*

- (1) The calculation of market capitalisation is based on 33,333,400 H Shares expected to be in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and 100,000,000 Unlisted Shares.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this prospectus.

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## SUMMARY

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### LISTING EXPENSES

Our total estimated listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB66.6 million (based on the mid-point of the indicative Offer Price range of HK\$15.0 per Offer Share), representing approximately 14.4% of our gross proceeds from the Global Offering. Our total listing expenses primarily comprise (i) our estimated underwriting fees of approximately RMB13.9 million; (ii) our estimated fees and expenses of legal advisers and reporting accountant of approximately RMB34.7 million; (iii) our estimated fees of two financial advisers of approximately RMB2.7 million; and (iv) our other estimated fees and expenses of approximately RMB15.3 million.

Among the estimated aggregate amount of our estimated listing expenses, approximately RMB64.0 million of which is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately RMB2.6 million is expected to be charged to our profit or loss, of which approximately RMB0.6 million, RMB0.6 million and RMB0.2 million was recognised in our profit or loss for FY2022, FY2023 and 6M2024, respectively.

Our Directors would also like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the date of this prospectus, there was no material change to our business model, revenue and cost structure.

Further, subsequent to the Track Record Period and up to the Latest Practicable Date, we had obtained 28 newly awarded contracts with a total contract value of approximately RMB127.1 million (excluding tax), including (i) eight contracts for the sale of ICV simulation testing software and platforms; (ii) two contracts for the sale of ICV data platform; (iii) 11 contracts for the provision of ICV testing and related services; (iv) six contracts for the provision of advisory and other services; and (v) one contract for the sale of ICV simulation testing software and platforms as well as provision of ICV testing and related services and advisory and other services. Further, subsequent to the Track Record Period and up to the Latest Practicable Date, we had two, eight and 13 ongoing project(s) of ICV simulation testing software and platforms, ICV testing and related services, and advisory and other services (all including contracts signed during the Track Record Period and up to the Latest Practicable Date), with backlog of approximately RMB23.6 million, RMB3.4 million and RMB4.8 million, respectively. The majority of the revenue from our newly awarded contracts and ongoing projects is expected to be recognised during the year ending 31 December 2024.

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## SUMMARY

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After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, since 30 June 2024 (being the date on which the latest audited and consolidated financial information of our Group was prepared) and up to the date of this prospectus, there has been no material adverse change in our business operations, indebtedness, mortgage, contingent liabilities, guarantees, the business environment in which we operate, as well as our financial or trading position or prospects.

### **Financial Performance**

Subsequent to the Track Record Period, we expect that our net profit margin for the financial year ending 31 December 2024 will decrease mainly due to the following: (i) a decrease in other income mainly resulting from a decrease in government grants; (ii) an increase in selling and marketing expenses mainly due to the increase in staff costs for expansion of our sales and marketing team; (iii) an increase in R&D expenses mainly due to the increase in amortisation and depreciation expenses for R&D purposes; and (iv) an increase in income tax expense as the EIT holiday enjoyed by our Group during the Track Record Period has ended after FY2023.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Technical terms in relation to our Group's industry and business operations are explained in "Glossary of technical terms" in this prospectus.*

"Accountant's Report"	accountant's report for our Group, the text of which is set out in Appendix I to this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"AFSL"	Anti-Foreign Sanctions Law of the PRC (中華人民共和國反外國制裁法)
"Anti-Monopoly Law"	Anti-Monopoly Law of the PRC (中華人民共和國反壟斷法)
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on 21 December 2024, which will become effective upon the Listing Date, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Bang Bang"	Beijing Bang Bang Safety Technology Co., Ltd.* (北京梆梆安全科技有限公司), formerly known as Beijing Yangpu Weiye Technology Development Co., Ltd.* (北京洋浦偉業科技發展有限公司), a limited liability company established in the PRC on 23 May 2005 and a Shareholder of our Company
"Beijing Brston"	Beijing Brston Market Consulting Co. Ltd.* (北京博睿黑石市場研究有限公司), a limited liability company established in the PRC on 14 March 2008, our distributor and an Independent Third Party



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## DEFINITIONS

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“Beijing Cornerstone”	Beijing Cornerstone Huiying Venture Capital Centre (Limited Partnership)* (北京基石慧盈創業投資中心(有限合夥)), a limited partnership established in the PRC on 19 August 2020, a Series A Investor and a Pre-IPO Investor
“Beijing Dysprosium”	Beijing Dysprosium Data Technology Co., Ltd.* (北京鐳石數據科技有限公司), a limited liability company established in the PRC on 12 April 2021, and was owned as to 49% by our Company as at the Latest Practicable Date
“Beijing Shunyi”	Beijing Shunyi Technology Innovation Group Co., Ltd.* (北京順義科技創新集團有限公司), a limited liability company established in the PRC on 16 December 2014, a Series A Investor and a Pre-IPO Investor
“BIS”	Bureau of Industry and Security of the Department of Commerce of the United States
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“Capital Market Intermediaries”	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCID”	China Center for Information Industry Development* (中國電子信息產業發展研究院), a public institution under the MIIT
“CEB International”, “Sole Sponsor” or “Sponsor-Overall Coordinator”	CEB International Capital Corporation Limited

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## DEFINITIONS

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“CITICS Investment”	CITIC Securities Investment Co., Ltd.* (中信証券投資有限公司), a limited liability company established in the PRC on 1 April 2012, a Series A Investor and a Pre-IPO Investor
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CNAS”	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Beijing Saimo Technology Co., Ltd. (北京賽目科技股份有限公司), a limited liability company established in the PRC on 24 January 2014 and converted into a joint stock company established in the PRC on 8 November 2022
“Concert Party Agreement”	the agreement entered into between Space Technology and Tongda dated 8 October 2021, pursuant to which Tongda has acknowledged and confirmed that it has undertaken, among other things, to unilaterally follow the voting instructions of Space Technology to exercise its voting rights and vote unanimously at the Shareholders meeting of our Company during the period Tongda being the Shareholder of our Company, details of which are set out in “History, development and corporate structure” in this prospectus
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company as at the Latest Practicable Date, refers to the controlling shareholder(s) of our Company, namely Mr. Hu, Ms. Ma and Mr. He, Space Technology and/or Tongda
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which first emerged in late 2019
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“CSTC”	China Software Testing Centre (Software and Integrated Circuit Promotion Centre of the Ministry of Industry and Information Technology)* (中國軟件評測中心(工業和信息化部軟件與集成電路促進中心))
“Cyber Security Law”	Cyber Security Law of the PRC (中華人民共和國國家網絡安全法)
“Data Security Law”	Data Security Law of the PRC (中華人民共和國數據安全法)
“Deed of Indemnity”	the deed of indemnity dated 26 December 2024 and entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, the details of which are set out in “E. Other information – 2. Indemnities” in Appendix VI to this prospectus
“Deed of Non-Competition”	a deed of non-competition dated 26 December 2024 and given by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Relationship with our Controlling Shareholders – Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Draft Pilot Notice”	the Notice on Conducting Pilot Work of ICV Access and On-road Driving (Draft for Comments)* (關於開展智能網聯汽車准入和上路通行試點工作的通知(徵求意見稿)) issued by the MIIT and the MPS on 2 November 2022
“Dr. Kan”	Dr. Kan Zhigang (闕志剛), a non-executive Director
“EAR”	U.S. Export Administration Regulations
“EIPO”	Electronic Initial Public Offering, a service offered by HKSCC for public offer subscription

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## DEFINITIONS

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“EIT”	enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which became effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
“Employee Incentive Scheme”	the employee equity interest incentive scheme approved and adopted by a resolution of our Shareholders on 15 December 2020, as amended by resolutions of our Shareholders on 9 May 2022 and 8 December 2022, and terminated pursuant to a resolution of our Shareholders on 25 August 2023, the principal terms of which are summarised under “D. Employee Incentive Scheme” in Appendix VI to this prospectus
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by the Hong Kong Government
“FDP rules”	the Foreign-Produced Direct Product Rules of the United States
“FINI”	“Fast Interface for New Issuance”, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an international market research consultant and an Independent Third Party
“F&S Report”	the market research report provided by F&S, which was commissioned by our Group in relation to, among other things, the overview of the industries in which our Group operates or intends to operate
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ended 31 December 2023

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## DEFINITIONS

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“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Government Contract(s)”	the 13 contracts entered into between our Group and the PRC governments (which refer to local governments or other government authorities in the PRC) (i.e. Government Contract 1 to Government Contract 13, together with all other supplementary documents issued by the PRC governments in connection with the aforesaid contracts) generating other income for our Group during the Track Record Period, which are related to the provision of ICV-related services and/or performance of ICV-related tasks in the ordinary course of business of our Group and details of which are set out in “Business – Income from Government – Government Contracts” in this prospectus
“GQC Junhe”	Gongqingcheng Junhe Investment Partnership (Limited Partnership)* (共青城軍合投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on 10 January 2019, a Series A+ Investor and a Pre-IPO Investor
“GQC Zhiyuan”	Gongqingcheng Zhiyuan Fusion Investment Partnership (Limited Partnership)* (共青城智源融合投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on 23 December 2019 and a Pre-IPO Investor
“Group” or “our Group”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants published by the Stock Exchange, effective from 1 January 2024 (and as amended from time to time)

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## DEFINITIONS

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“Guoqi Intelligent Control”	Guoqi Intelligent Control (Beijing) Technology Co., Ltd.* (國汽智控(北京)科技有限公司), a limited liability company established in the PRC on 31 July 2020, and was owned as to approximately 3.7% and 96.3% by our Company and 22 Independent Third Parties, respectively, as at the Latest Practicable Date
“H Share(s)”	overseas-listed share(s) in the share capital of our Company, with a nominal value of RMB1.0 each, which are to be subscribed for and traded in Hong Kong dollars and to be listed on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“ <b>HKSCC EIPO</b> ”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is HKSCC Participant to give <b>electronic application instructions</b> via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

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## DEFINITIONS

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 3,333,400 H Shares initially being offered at the Offer Price (plus brokerage, SFC transaction levies, AFRC transaction levies and Stock Exchange trading fees) for subscription in the Hong Kong Public Offering, subject to adjustment as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (plus brokerage, SFC transaction levies, AFRC transaction levies and Stock Exchange trading fees), on and subject to the terms and conditions described in “Structure of the Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 28 December 2024 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Controlling Shareholders, the Sponsor-Overall Coordinator and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement” in this prospectus
“Hubble”	Hubble Technology Venture Capital Co., Ltd.* (哈勃科技創業投資有限公司), formerly known as Hubble Technology Investment Co., Ltd.* (哈勃科技投資有限公司), a limited liability company established in the PRC on 23 April 2019, a Series A Investor and a Pre-IPO Investor
“IAS”	International Accounting Standard
“IFRS(s)”	International Financial Reporting Standard(s), which include standard(s) and interpretation(s) promulgated by the International Accounting Standards Board, as amended from time to time

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## DEFINITIONS

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“Income from Government”	income derived from the Government Contract(s) in the ordinary course of business of our Group, which is categorised as “other income” from government grants in our consolidated statements of comprehensive income
“Independent Third Party(ies)”	individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is (are) not a connected person of our Company or any of its subsidiaries within the meaning of the Listing Rules
“International Offer Shares”	the 30,000,000 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustment) as described in “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, as further referred to in “Structure of the Global Offering” in this prospectus
“International Sanctions Laws”	all applicable laws and regulation to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the PRC government and the federal government of the United States, including its executive, legislative and judicial branches
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into by, among others, our Company, the Controlling Shareholders, the Sponsor-Overall Coordinator and the International Underwriters in respect of the International Offering on or around the Price Determination Date



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## DEFINITIONS

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“Jingwei Hengrun”	Beijing Jingwei Hengrun Technology Co., Ltd.* (北京經緯恒潤科技股份有限公司), a limited liability company established in the PRC on 18 September 2003 and converted into a joint stock limited liability company on 28 October 2020, a Series A Investor and a Pre-IPO Investor
“Joint Bookrunners”	the joint bookrunners as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“Joint Lead Managers”	the joint lead managers as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“Latest Practicable Date”	22 December 2024, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the commencement of trading of our H Shares on the Main Board
“Listing Date”	the date expected to be on or about Wednesday, 15 January 2025, on which our H Shares are first listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Management Committee”	Management Committee of the Future Science and Technology of Hangzhou, Zhejiang* (浙江杭州未來科技城管理委員會), who is the government authority that awarded Government Contract 1 to our Group and one of our customers during the Track Record Period
“Management Group”	collectively, Mr. Hu, Ms. Ma and Mr. He

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## DEFINITIONS

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“MHURD”	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MIIT-EIDC”	Equipment Industry Development Centre (裝備工業發展中心) of the MIIT
“MIIT Opinions”	the Opinions of the MIIT relating to Enhancing the Access Management of ICVs Manufacturing Enterprises and Products* (工業和信息化部關於加強智能網聯汽車生產企業及產品准入管理的意見) issued by the MIIT on 30 July 2021
“MOT”	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
“MPS”	Ministry of Public Security of the PRC (中華人民共和國公安部)
“Mr. He”	Mr. He Feng (何豐), a member of the Management Group, an executive Director and a Controlling Shareholder
“Mr. Hu”	Mr. Hu Dalin (胡大林), a member of the Management Group, the chairman of the Board, an executive Director and a Controlling Shareholder
“Ms. Ma”	Ms. Ma Lei (馬蕾), a member of the Management Group, an executive Director and a Controlling Shareholder
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.00565%, the AFRC transaction levy of 0.00015% and SFC transaction levy of 0.0027%), which will be not more than HK\$18.0 per Offer Share and is expected to be not less than HK\$12.0 per Offer Share, to be determined in the manner further described in “Structure of the Global Offering – Pricing and allocation” in this prospectus

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## DEFINITIONS

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“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to issue and allot up to an aggregate of 5,000,000 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering” in this prospectus
“Overall Coordinators”	CEB International Capital Corporation Limited and CLSA Limited
“Overseas Listing Trial Measures”	Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) issued by the CSRC on 31 March 2023
“Personal Information Protection Law”	Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法)
“Pilot Notice”	the Notice on Conducting Pilot Work of ICV Access and On-road Driving* (關於開展智能網聯汽車准入和上路通行試點工作的通知) issued by the MIIT, the MPS, the MHURD and the MOT on 17 November 2023, which is the implemented version of the Draft Pilot Notice
“PRC” or “China”	People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan (unless otherwise indicated)
“PRC Company Law”	Company Law of the PRC (中華人民共和國公司法), which was first implemented on 1 July 1994 and as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisers”	Zhong Lun Law Firm, our legal advisers as to PRC laws

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## DEFINITIONS

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“PRC Securities Law”	Securities Law of the PRC (中華人民共和國證券法), which became effective on 1 July 1999 and as amended, supplemented or otherwise modified from time to time
“Pre-IPO Investment(s)”	the investment(s) in our Company by the Pre-IPO Investor(s), details of which are set out in “History, development and corporate structure – Pre-IPO Investments” in this prospectus
“Pre-IPO Investor(s)”	GQC Zhiyuan, Series A Investors and/or Series A+ Investors
“Price Determination Date”	the date, expected to be on or about 13 January 2025 (Hong Kong time), on which the Offer Price is to be fixed
“PwC”	PricewaterhouseCoopers, our reporting accountant
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Customer”	a limited liability company established in the PRC, which is a leading global information and communications technology solutions and smart devices provider and our customer since 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), presently known as SAMR
“Saidi Group”	Saidi Group Institute of Industry and Information Technology (Group) Co., Ltd.* (賽迪工業和信息化研究院(集團)有限公司) (formerly known as Saidi Industry and Information Technology Research Institute Co., Ltd.* (賽迪工業和信息化研究院有限公司) and Saidi Information Industry (Group) Co., Ltd.* (賽迪信息產業(集團)有限公司)), a limited liability company established in the PRC on 13 September 1995 and an indirect Shareholder of our Company through its controlled interest in Saidi Testing, a direct Shareholder of our Company

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## DEFINITIONS

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“Saidi Testing”	Saidi Testing and Certification Centre Co., Ltd.* (賽迪檢測認證中心有限公司), a limited liability company established in the PRC on 25 May 1999 and a substantial Shareholder of our Company, with principal place of business in Beijing and paid-in capital of RMB50 million as at the Latest Practicable Date
“Saimo Automotive Testing”	Beijing Saimo Automotive Testing Technology Co. Ltd.* (北京賽目汽車測試技術有限公司), a limited liability company established in the PRC on 16 March 2022, and our direct non-wholly-owned subsidiary which is owned as to 80% by our Company
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as SAIC
“SAT”	State Taxation of Administration of the PRC (中華人民共和國國家稅務總局)
“Series A Investor(s)”	Beijing Shunyi, Hubble, Beijing Cornerstone, CITICS Investment and/or Jingwei Hengrun
“Series A+ Investor(s)”	GQC Junhe and/or Zhongguancun
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGS”	one of our strategic partners and an Independent Third Party, which represents two entities belonging to the same group, i.e. SGS Standards Technical Services (Shanghai) Company Limited* (通標標準技術服務(上海)有限公司), a limited liability company established in the PRC on 26 February 2009, and SGS-TÜV
“SGS-TÜV”	SGS-TÜV Saar GmbH, a limited liability company incorporated in Germany that provides inspection, verification, testing and certification services and an Independent Third Party

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## DEFINITIONS

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“Shanghai Saimo”	Beijing Saimo Technology Co., Ltd. Shanghai Branch* (北京賽目科技股份有限公司上海分公司), a branch of our Company established in the PRC on 10 October 2019
“Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of RMB1.0 each, comprising Unlisted Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shunyi Agreement”	the agreement entered into between our Company and Customer A in August 2021 (as amended and supplemented by the supplemental agreements in December 2021 and January 2023, respectively), pursuant to which Customer A entrusted the operation of the Shunyi Testing Site to our Company and key terms of which are set out in “Business – Our services – ICV testing and related services – Closed-course site tests and related services” in this prospectus
“Shunyi Testing Site”	the National Intelligent Vehicles and Intelligent Transport (Jing Ji) Demonstration Zone Shunyi Base* (國家智能汽車與智慧交通(京冀)示範區順義基地) which was owned by Customer A as at the Latest Practicable Date
“SOE(s)”	state-owned enterprise(s) in the PRC. For the purpose of this prospectus, an SOE refers to an enterprise that is (1) wholly-owned by the state; (2) majority-owned by a government body, public authority, public institution; or any combination of such entities in aggregate; or (3) majority-owned by any such entities in (1) or (2)
“Space Technology”	Space Technology (Beijing) Co., Ltd.* (空格科技(北京)有限公司), a limited liability company established in the PRC on 19 June 2014, an investment holding platform of the Management Group for shareholding in our Company and a Controlling Shareholder, with paid-in capital of RMB366,516 as at the Latest Practicable Date
“Stabilising Manager”	CEB International Capital Corporation Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisor Committee
“Supervisor Committee”	the supervisor committee of our Company
“Tongda” or “Employee Incentive Platform”	Beijing Tongda Chengye Technology Centre (Limited Partnership)* (北京通達成業科技中心(有限合夥)), a limited partnership established in the PRC on 24 July 2019, of which Mr. Hu is the executive partner, which serves an employee incentive platform of our Group for the purpose of implementing the Employee Incentive Scheme, and a Controlling Shareholder
“Track Record Period”	the financial period comprising FY2021, FY2022, FY2023 and 6M2024, respectively; and the phrase “during the Track Record Period”, followed by a series of figures or percentages, refers to information relating to FY2021, FY2022, FY2023 and 6M2024, respectively
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Unlisted Shares”	ordinary shares in the share capital of our Company with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollar(s)”	United States dollar(s), the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting the application online through the designated website of <b>White Form eIPO Service Provider</b> at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>

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## DEFINITIONS

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“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WHO”	World Health Organisation
“Zhejiang Fly”	Zhejiang Fly Here Technology Co., Ltd.* (浙江這裡飛科技有限公司), a limited liability company established in the PRC on 13 August 2021, and our indirect non-wholly-owned subsidiary which is owned as to 51% by Zhejiang Saimo
“Zhejiang Saimo”	Zhejiang Saimo Technology Co., Ltd.* (浙江賽目科技有限公司), a limited liability company established in the PRC on 19 April 2019, and our direct wholly-owned subsidiary
“Zhongguancun”	Beijing Zhongguancun Science City Science and Technology Growth Investment Partnership (Limited Partnership)* (北京中關村科學城科技成長投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on 3 December 2021, a Series A+ Investor and a Pre-IPO Investor
“6M2023”	the six months ended 30 June 2023
“6M2024”	the six months ended 30 June 2024
“%”	per cent

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*All dates and times refer to Hong Kong dates and times unless otherwise stated.*

*The English translation of the original names in Chinese or another language of the nationals, entities, enterprises, organisations, institutions, government authorities, departments, facilities, awards, certificates, titles, laws and regulations concerned included in this prospectus which are marked with “\*” is for identification purpose only. To the extent that there is any inconsistency, the original names in Chinese or another language shall prevail.*

*Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.*



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.*

“ADAS”	advanced driver-assistance systems, which are electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving, i.e. L1 and L2
“AI”	artificial intelligence, an area of computer science that focuses on machinery simulation of intelligence displayed by humans and other animals
“algorithm”	a procedure or formula for solving a problem, based on conducting a sequence of specific actions
“ASIL”	automotive safety integrity level, a risk classification scheme defined by ISO 26262 and there are four ASIL levels identified by the standard, namely ASIL A, ASIL B, ASIL C and ASIL D, among which ASIL D dictates the highest integrity requirements on the product and ASIL A the lowest
“autonomous driving”	high-level intelligent driving, i.e. L3 and above
“cloud”	a network of remote servers hosted on the Internet/Intranet and used to store, manage and process data in place of local servers or personal computers
“CAGR”	compound annual growth rate
“DiL”	driver-in-the-loop, a type of simulation technique used to verify whether the vehicle can accurately realise the functions with the participation of human drivers
“ECCN”	Export Control Classification Number, the codes used on the Commerce Control List of the BIS to identify items for export control purposes

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## GLOSSARY OF TECHNICAL TERMS

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“FDP”	Foreign-Direct Product, a term used in the Foreign-Direct Product rules of the EAR and referring to products manufactured outside the U.S. making direct use of U.S. software or technology, or produced by a plant or equipment which is the direct product of U.S. software or technology, which may be subject to the EAR
“FuSa” or “functional safety”	functional safety for road vehicles, the safety requirements governed by standards such as ISO 26262 and aimed at achieving the absence of unacceptable risks arising from failures or malfunctions of the electrical and/or electronic systems of vehicles causing harm to people
“HiL”	hardware-in-the-loop, a type of simulation technique used to verify whether the functions implemented by the code are consistent with the requirements definition on the entire hardware system
“ICV”	intelligent connected vehicle, which is a road vehicle equipped with advanced sensors, controllers, and actuators, and is designed with the intelligent and cooperative driving functions
“intelligent driving”	ADAS and autonomous driving
“IP”	intellectual property
“ISO”	International Organisation for Standardisation, a non-governmental organisation based in Geneva, Switzerland for setting international standards and assessing the quality systems of business organisations
“ISO 21448”	an international SOTIF standard defined by ISO and published on 30 June 2022, which is applicable to intended functionalities where proper situational awareness is essential to safety and where such situational awareness is derived from complex sensors and processing algorithms, especially functionalities of emergency intervention systems and systems with driving automation
“ISO 26262”	an international FuSa standard defined by ISO which is intended to apply to safety-related systems containing one or more electrical and/or electronic systems that are installed in serial production passenger cars and addresses possible hazards caused by system failures or malfunctioning of the vehicles

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## GLOSSARY OF TECHNICAL TERMS

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“IT”	information technology
“km”	kilometre(s)
“kWh”	unit of energy (power), kilowatt-hour(s)
“L1”	level 1 of intelligent driving, such as adaptive cruise control and lane keep assist to assist drivers but still require the driver to be in control
“L2”	level 2 of intelligent driving which can assist drivers in controlling speed and steering, such as help with stop-and-go traffic by maintaining the distance between the driver’s vehicle and the vehicle in front, and providing steering assist by centring the vehicle within the lane, while still requiring drivers to have hands on the wheel and be ready to take control at any given moment
“L3”	level 3 of intelligent driving, or conditional automation, which allows vehicles to drive themselves, but only under ideal conditions and with limitations, such as limited-access divided highways at a certain speed and parking lots. Drivers are still required behind the wheel whereas their hands are off the wheel
“L4”	level 4 of intelligent driving, or high automation, which allows vehicles to drive themselves without human interactions but will be restricted to known use cases, or in most environments and road conditions
“L5”	level 5 of intelligent driving, or full automation, which enables vehicles to monitor and manoeuvre through all road conditions and require no human interventions whatsoever, eliminating the need for a steering wheel and pedals
“LiDAR”	a sensing or detection system used for determining ranges that works on the principal of radar but uses light from a laser
“MiL”	model-in-the-loop, a type of simulation testing where the control algorithm model and its environment are simulated in the modelling framework without any physical hardware components to verify whether the model accurately implements the functional requirements

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## GLOSSARY OF TECHNICAL TERMS

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“multi-pillar approach” or “multi-pillar method”	the testing approach or method for ICVs, which consists of simulation tests, closed-course site tests, and open-road tests
“millimetre-wave radar”	a special class of radar technology that uses short-wavelength electromagnetic waves
“NS-CMIC List”	the Non-SDN Chinese Military-Industrial Complex Companies List published by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC)
“OpenX”	Open Dynamic Road Information for Vehicle Environment, file formats for the description of road networks as defined by the Association for Standardisation of Automation and Measuring Systems (ASAM)
“OTA”	over the air, technology that is used for wireless download of software update using cellular network to upgrade systems
“R&D”	research and development
“SaaS”	software as a service, a software licensing and delivery model in which software and associated data are centrally hosted
“SiL”	software-in-the-loop, a type of simulation testing where embedded software is tested within a simulated environment model but without any hardware to verify whether the functionality implemented by the code is consistent with the model
“simulation”	simulation modelling technology that employs simulation hardware and software and utilises mathematical methods to digitally imitate the characteristics and behaviours of real-world systems or processes
“SOTIF”	safety of the intended functionality for road vehicles, the safety requirements governed by standards such as IOS 21448 and aimed at achieving absence of unacceptable risks due to a hazard caused by functional insufficiencies of the vehicles, including insufficiencies of the specification of the intended functionality at the vehicle level, or insufficiencies of specification or performance insufficiencies in the implementation of electric and/or electronic elements in the systems of the vehicles
“sq.m.”	square metre(s)

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## GLOSSARY OF TECHNICAL TERMS

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“test mile”	a mile run by an autonomous vehicle or ICV
“TCL”	tool confidence level, which measures the confidence with which software tools can be used. ISO 26262 defines three tool confidence levels, including TCL 1, TCL 2 and TCL 3 with TCL 1 being the lowest level and TCL 3 being the highest level
“V2X”	vehicle-to-everything, which refers to a vehicle communication system aimed at improving road safety and traffic efficiency
“ViL”	vehicle-in-the-loop, a type of simulation testing where the physical vehicle is placed in the simulated testing environment, which is used to verify whether the vehicle has accurately implemented functions in the simulated testing environment
“XiL”	X-in-the-loop, the general designation of the in-the-loop simulation techniques which allow the testing of everything from model, software to hardware

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in industries and markets in which we operate or are seeking to operate;
- our business strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- prospective financial information regarding our business;
- future financial condition and results of our operations;
- future development of our business;
- our dividend policy;
- our capital expenditure plans;
- general global economic, political and business conditions, in particular, the economic, political and business conditions of Hong Kong and the PRC; and
- changes to the regulatory environment, policies and operating conditions in the markets in which we operate or are seeking to operate.

In some cases we use words such as “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “plan”, “aim”, “potential”, “will”, “may”, “should”, “would”, “could”, “expect”, “consider” and other similar expressions to identify forward looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward looking statements as a result of a number of factors, including without limitation, factors disclosed in “Risk factors” in this prospectus and elsewhere in this prospectus.

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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Owing to such risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks uncertainties described below, before making an investment in our Shares. You should pay particular attention to the fact that our Company was established in the PRC and we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong or other countries. Any of the risks and uncertainties described below may have a material adverse effect on our business and industry, results of operations, financial condition or on the trading price of our H Shares, and may cause you to lose all or part of your investment.*

We believe that there are certain risks and uncertainties in relation to our business and operations, some of which are beyond our control. These risks and uncertainties can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to the Global Offering; and (iii) risks relating to this prospectus.

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

**The ICV industry, and the ICV testing, validation and evaluation solutions industry are still at an early stage of development and may be subject to unforeseen changes and uncertainties.**

The ICV testing, validation and evaluation solutions industry is closely related to and highly dependent on the development of the ICV industry in the PRC, which is still at a preliminary development stage. The intelligent driving technologies of ICVs in the PRC are relatively nascent and rapidly growing. In addition, the ability for the ICV industry to develop as expected depends on the availability of advanced hardware components such as semi-conductor chips, which depends on various factors such as (i) the ability of domestic manufacturers to develop and commercialise the production of the hardware/semi-conductor chips required for advanced ICVs in accordance with market development; and (ii) the ability to import the necessary hardware/semi-conductor chips from international manufacturers.

It remains uncertain whether ICVs can be developed as expected, or whether the costs, safety standards, controllability, reliability and comfortability and other aspects of ICVs can meet the expectations of the market, which makes it difficult for us to evaluate our future operating results and prospects.

In particular, the inherent complexity of ICV technologies makes it prone to risks and uncertainties associated with accidents. The safety of such technologies depends in part on the user interaction. We cannot assure that our efforts in developing and upgrading our simulation testing related solutions to accommodate the fast-changing requirements of ICV technologies will be timely, or will be to the satisfaction of our customers. As ICV technologies are still evolving and is yet to achieve wide market acceptance, accidents caused by defects of ICV technologies may negatively affect public perception and weaken customers' confidence or result in regulatory restrictions with respect to the ICV industry. As a result, we may be subject to more stringent industry regulations.



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## RISK FACTORS

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Therefore, to the extent that the ICV industry fails to develop as anticipated, no matter it arises from accidents caused by defects of or associated with ICV technologies or other unforeseen changes, the demand for ICVs may drop, and the corresponding demand for our ICV testing, validation and evaluation solutions may be adversely affected.

Furthermore, given the emerging and rapidly evolving nature of the ICV industry and ICV testing, validation and evaluation solutions industry, we may not be able to precisely predict their trends and developments, or even if we manage to predict such development trends, we may be unable to keep up with changes in ICV and ICV testing, validation and evaluation technologies in a timely and effective manner which may in turn threaten our competitiveness.

In addition, market expansion for ICV testing, validation and evaluation solutions business depends on a number of factors, including the prevalence of ICVs, the growth in the application of testing, validation and evaluation for ICVs, as well as the performance and perceived value associated with such products and services. If ICV testing, validation and evaluation solutions do not achieve widespread acceptance, or if the detailed requirements for such testing are materially different from what our current products and services entail or if there is a reduction in demand for such products or services caused by fluctuation of economic conditions, technical challenges, cyber security, data security or privacy concerns, tightened industry regulations, competing technologies, products and services or otherwise, our business, growth prospects and results of operations will be materially and adversely affected.

**We generally provide products and services to our customers on a project-by-project and non-recurring basis and are therefore exposed to the risk of business uncertainties and fluctuations in our revenue and gross profit margins from time to time.**

A large majority of our revenue during the Track Record Period was generated on a project-by-project basis, which is generally non-recurring in nature and may fluctuate from time to time. Due to this project-driven nature of our business, we have not entered into long-term agreements with most of our customers, and most of our top five customers varied from year to year during the Track Record Period. In addition, our gross profit margin and profitability vary from project to project, and the corresponding cost involved depends on, including without limitation:

- the nature and scale of the project;
- the type of customer, being public sector customer or private sector customer;
- the scope and complexity of the work to be performed;
- the specification and customisations required by our customer;
- the technical, software, hardware, servers and components requirements;
- the project timeline and the manpower and resources required;

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## RISK FACTORS

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- the services for deployment and maintenance;
- the R&D expenses; and
- to the extent that is applicable, fees charged by other market participants for comparable products and services.

As such, during the Track Record Period, our gross profit margin for our ICV simulation testing platforms was 81.3%, 92.6%, 53.0% and 99.1%, respectively.

In light of the non-recurring and project-based nature of our Group's contracts, the composition of our products and services sold during the Track Record Period may vary significantly each year/period and may in turn have a significant impact on our overall gross profit margin, which may then materially and adversely affect our profitability and results of operations. Please refer to "Financial information – Key factors affecting our results of operations and financial condition – Specific factors affecting our results of operations – (ii) Change of product mix and ability to optimise profit for our product and service offerings" in this prospectus for further details.

Our revenue grew from approximately RMB106.9 million for FY2021 to approximately RMB145.4 million for FY2022 and further to approximately RMB175.7 million for FY2023 with a CAGR of approximately 28.2%. However, we experienced a change of the revenue split between our public and private sector customers. For each financial year/period during the Track Record Period, approximately 79.3%, 6.2%, 11.7% and 15.7% of our revenue was generated from our public sector customers, respectively, while approximately 20.7%, 93.8%, 88.3% and 84.3% of our revenue was generated from our private sector customers in the corresponding period. In particular, our revenue generated from our public sector customers depends on the budgeting and policy and regulatory objectives of such customers, which are subject to changes beyond our control, including but without limitation (i) the future development of the ICV industry and ICV testing, validation and evaluation solutions industry; (ii) changes in government's fiscal policy; (iii) changes in policy or priorities and the corresponding funding and budgetary constraints; and (iv) the adoption of new laws and/or regulations or changes to existing laws or regulations.

During the Track Record Period, our gross profit amounted to approximately RMB64.0 million, RMB95.4 million, RMB124.6 million and RMB39.1 million, respectively, corresponding to gross profit margin of approximately 59.9%, 65.6%, 70.9% and 70.3%, respectively. As mentioned, our overall gross profit margin depends on the products and services portfolio we offer. In general, we generate a relatively lower gross profit margin for products and services which involve a higher degree of customisation, procurement of hardware and servers and/or deployment of staff, while we generate a relatively higher gross profit margin for our standardised products and services which are mainly based on our existing self-developed software and involve a lower degree of procurement of hardware and servers and/or deployment of staff. Please refer to "Financial information – Discussion of selected items in consolidated statements of comprehensive income – Gross profit and gross

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## RISK FACTORS

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profit margin” in this prospectus for further details. Therefore, our gross profit margin may not be indicative of our gross profit margin in the future. If we cannot control and manage our operating costs effectively, or if there is any unexpected fluctuations in the cost of hardware and components, our cash flow and profitability of our operations may be adversely affected.

**We are subject to credit risk associated with our trade and notes receivables. Any payment delays or defaults from our customers may materially and adversely affect our cash flow and results of operations.**

We are subject to credit risk in collecting the trade and notes receivables from our customers. We generally grant our customers a credit period of up to 180 days. Our trade and notes receivables amounted to approximately RMB49.4 million, RMB140.0 million, RMB165.7 million and RMB150.0 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, and our trade and notes receivables turnover days were approximately 113.2 days, 237.8 days, 317.5 days and 517.1 days during the Track Record Period, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, approximately RMB8.0 million, RMB13.6 million, RMB45.4 million and RMB35.5 million of our trade and notes receivables were aged over one year, respectively. As at the Latest Practicable Date, approximately RMB49.6 million (or approximately 99.9% of our gross trade and notes receivables as at 31 December 2021, approximately RMB133.5 million (or approximately 93.9%) of our gross trade and notes receivables as at 31 December 2022, approximately RMB137.3 million (or approximately 78.7%) of our gross trade and notes receivables as at 31 December 2023, and approximately RMB96.7 million (or approximately 61.6%) of our gross trade and notes receivables as at 30 June 2024 were subsequently settled. Accordingly, we face credit risk in collecting trade and notes receivables due from customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of these customers could also materially and adversely affect our business, results of operations and financial condition.

**Failure to secure further projects from the relevant government authorities could severely affect our business, financial condition, results of operations and prospects.**

In view of the strategic importance of developing the emerging ICV industry, the PRC government encourages collaboration with and active participation of enterprises in the development, commercialisation and standardisation process for the ICV industry in the PRC. Leveraging on our leading technologies and know-how, we are able to offer full-set services to validate the safety, reliability, functionality, compliance capabilities, and comfortability of ICVs in accordance with the requirements of the PRC laws and regulations. Against such background, since 2018, we have undertaken several government-commissioned projects from the government authorities and have performed those tasks and services as specified in the agreements.

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## RISK FACTORS

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Specifically, during the Track Record Period, we have entered into, among others, the Government Contracts with various government authorities in the PRC to perform services and tasks in relation to, among other things, engaging in R&D for and providing support in terms of provision of industry information and technical research for the development of the ICV and ICV testing, validation and evaluation solutions industries, and providing support for the research and formulation of industry policies, regulations and standards of the ICV industry. During the Track Record Period, we recognised Income from Government of approximately RMB11.4 million, RMB5.0 million, RMB26.8 million and RMB9.7 million, respectively. As the Government Contracts were obtained either through a tender process or negotiation of the terms and conditions with the relevant government authorities, we cannot assure you that we will be able to secure new projects of comparable contract value from the PRC government authorities on a continuous basis in the future. There is also no guarantee that we could fully satisfy the acceptance conditions as agreed by both parties, and such government authorities may not enter into further contracts with us if we fail to fulfil their requirements or complete the projects to their satisfaction. In the event that we are unable to secure further projects from the relevant government authorities or fail to meet their conditions to obtain such similar income therefrom, our business, results of operations and financial condition would be materially and adversely affected, and may cause material fluctuations in our financial condition and prospects.

**We may not be successful in the tender processes for our projects and our business and financial condition may be adversely affected.**

Some of our projects of ICV simulation testing platforms and ICV data platforms and other products as well as the government-commissioned projects involve a tender process, where potential suppliers are required to submit detailed bidding proposals in response to a tender notice for assessments. During the Track Record Period, our tender success rate was 62.5%, 100%, 75% and 33.3%, respectively. There is no guarantee that our bids in tender processes in the future will be successful and we may not be awarded project contracts due to various reasons. There is also no assurance that we will be able to maintain or increase our success rate in obtaining projects tendered in the future. In the event that we are unable to secure new projects of similar or larger contract sum by way of tender on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected. In addition, the tender process may be competitive, and may need to adjust our price in response to the competition. Our results of operations and profitability could be adversely affected if we are not successful in winning bids in the tender process at profitable levels. If we are unable to succeed in the tender processes in which we participate at profitable levels or at all, our business and financial condition may be adversely affected.

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## RISK FACTORS

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**We derived a significant portion of our revenue from a limited number of customers during the Track Record Period and may continue to be exposed to the risk of customer concentration subsequent to the Track Record Period.**

We principally provide ICV testing, validation and evaluation solutions for SOEs, government authorities in the public sector, and automotive manufacturers and technology companies in the private sector in the PRC. A significant portion of our revenue during the Track Record Period was derived from a limited number of customers. For each financial year/period during the Track Record Period, our revenue generated from our largest customer amounted to approximately RMB41.7 million, RMB35.5 million, RMB40.0 million and RMB16.6 million, respectively, accounting for approximately 39.0%, 24.4%, 22.8% and 29.8% of our total revenue, respectively; and our revenue generated from our top five customers amounted to approximately RMB99.9 million, RMB97.8 million, RMB98.0 million and RMB42.3 million, respectively, accounting for approximately 93.4%, 67.2%, 55.8% and 76.1% of our total revenue, respectively. Please refer to “Business – Our customers – Our major customers” in this prospectus for further details.

Our revenue during the Track Record Period was substantially generated from the sale of or building ICV simulation software and platforms and ICV data platforms and other products which were generally one-off and non-recurring in nature. While it is crucial for us to secure new projects of similar attributable revenue or large contract value from new customers on a continuous basis, we may not be able to diversify our customer base or to secure more potential customers in both public sector and private sector. There is also no guarantee that we will be able to maintain our business relationship with our existing customers or secure new contracts from them in the future. In the event that we are unable to secure projects of comparable contract value and quantity from new customers, or obtain sufficient new business from existing customers in a timely manner or at all, our business, results of operations and financial condition would be materially and adversely affected, and it may cause material fluctuations in our revenue. In addition, should any of our major customers delay or default in making payments to us or at all, our cash flow and financial position would be adversely affected.

**We rely heavily on our self-developed core technologies *Sim Pro* and *Safety Pro* and their market recognition for providing customised products and services, the technologies of which will be subject to defects, constant changes, upgrades and potentially, security breaches or unauthorised control.**

*Sim Pro* and *Safety Pro* are our core technologies for us to provide comprehensive ICV solutions to test, validate and evaluate the safety, reliability, functionality, compliance capabilities and comfortability of ICVs. A substantial portion of our products and services are developed either entirely or in part based on *Sim Pro* and *Safety Pro* and the proper functionality of *Sim Pro* and *Safety Pro* is essential. We believe that business growth in our products and services depends on the customers’ perception of our brand, and we will continue to rely on our brand and market recognition of *Sim Pro* and *Safety Pro* in our future business. Any material disruption of the functionality of *Sim Pro* and *Safety Pro* may affect their market recognition, our brand and the customers’ confidence in our products and services. If we are

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## RISK FACTORS

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subject to events or negative allegations affecting our brand image such as complaints in relation to and accidents resulting from the application of *Sim Pro* and *Safety Pro* and if we are unable to maintain and upgrade the functionality of *Sim Pro* and *Safety Pro* at a reasonable cost in a timely manner, our business, financial condition and results of operations may be adversely affected.

Moreover, *Sim Pro* and *Safety Pro*, like other sophisticated software, are inherently complex and may contain latent defects and errors that are not apparent at the time of implementation of the simulation testing platforms but only manifest over time. Any erroneous testing results, delays, defects or disruptions in the testing process or any other malfunctions of our software solutions may have negative impact on our customers' business, as well as the reliability and safety of intelligent driving in general, and thus affect their demand for our products and services, or put us in a disadvantageous position in future bargaining with them. In addition, we may be requested, or may choose, in order to maintain customer relations, to expend additional manpower and resources to correct results and solve related problems in a timely manner.

In addition, if *Sim Pro* or *Safety Pro* fails to accurately identify potential hazards in the intelligent driving algorithms and their related key components of our customers, this could result in injury or death of road users, complaints and liabilities or other problems that could seriously affect our reputation and business. We may also be exposed to complaints, litigation and other liabilities from our customers arising from the abovementioned failure of *Sim Pro* and *Safety Pro*, which will materially and adversely affect our reputation, revenue and profitability. For further details of the risk related to potential litigation liability, please refer to "Risks relating to our business and industry – Malfunction or failure in our IT infrastructure and systems and our software solutions products in the course of our business operations could adversely affect our reputation, business operations and prospects and lead to potential litigation liability" in this section below.

Further, as technologies change, we plan to modify and upgrade our *Sim Pro* and *Safety Pro*, in order to provide advanced testing products and services with the latest technology, which may incur substantial costs and lower our profitability. We cannot assure you that we will be able to compete effectively with other ICV testing, validation and evaluation solutions providers and integrate the latest technologies into our products in this rapidly evolving industry. Even if we are able to keep pace with changes in technology and develop new versions of products or services, our previous versions could become obsolete more quickly than expected. In addition, our existing or potential competitors may develop products which are similar or superior to our products or are more competitively priced.

Besides, the current trend of simulation testing for ICVs is to leverage cloud technologies. As we are one of the first market players to achieve the integration of ICVs simulation testing and cloud technologies, we are still exploring such novel industry technologies. Therefore, we cannot assure you that our cloud capabilities would enable our customers to substantially increase their ICV testing scales and speed or to process and manage massive data as to their satisfaction. We may also be unable to keep developing our cloud capabilities successfully.



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We rely on third party suppliers to provide cloud infrastructure to develop cloud-based solutions. Our technology systems and cloud infrastructure may be vulnerable to a variety of interruptions, including cyber-attacks, unauthorised access, manipulation attempts and other security breaches which could impair the delivery of our products and services. In addition, the measures we have in place to prevent unauthorised access to our systems and platforms may not be adequate and there is no guarantee that their vulnerabilities will not be detected in the future, or that our recovery plans are or will be successful. Any failure or perceived failure or disruption of our systems and platforms may result in data leakage, loss of trade secrets, loss of customers' confidence in and deterioration of their user experience with our systems and platforms, interruption to our R&D progresses and processing inefficiencies.

Further, if we are unable to prevent security breaches, we may fail our privacy-related or other contractual obligations to our business partners, customers or other third parties and may further involve our Group as the sole proprietary owner and developer of *Sim Pro* and *Safety Pro* in legal claims and proceedings, which could generate substantial negative publicity about our products and services and could in turn have material adverse impact on our brand image, reputation, prospects, financial condition and results of operations.

We may face challenges brought by demands for highly customisable applications and solutions. Whether potential customers accept our products and services depends, to a large extent, on their level of awareness of our product and service offerings and the popularity and reputation of our core technologies, *Sim Pro* and *Safety Pro* in the market. We cannot assure you that the trend of adopting and utilising such products and services by potential customers will continue in the future.

**We rely on our core technical staff and skilled personnel. Failure to retain or motivate them or hire additional qualified personnel may hinder our ability to grow effectively.**

Our performance and future success depend to a large extent on the talents and efforts of our core technical staff and skilled personnel. Competition for qualified employees in the technology-related industries is intense, particularly in the ICV testing, validation and evaluation solutions industry in the PRC where we operate as it is still at an early stage of development. Our continued ability to compete effectively depends on our ability to attract, retain and motivate talents.

As competition in the ICV testing, validation and evaluation and related industries intensifies, it may be more difficult for us to hire, motivate and retain technical and skilled personnel, in particular R&D personnel. On the other hand, we may have to incur additional and potentially significant expenses to recruit new personnel and train existing employees, which may in turn increase our costs of operations and materially and adversely affect our profitability. In addition, salary levels may inevitably rise as a result of the ever rising competition of talents in an emerging industry, amongst other general economic factors such as the growth of the PRC gross domestic product and rate of urbanisation. If we are unable to control our staff costs as a result of our need to recruit additional talents, retain and motivate our existing staff, our profitability may be materially and adversely affected.

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## RISK FACTORS

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If we do not succeed in attracting additional highly technical and skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively and may not be able to catch up with the cutting-edge technologies in such an emerging industry, and our business and prospects would be inevitably affected.

**We could be adversely affected by any trade restriction or sanction that may be imposed on our customers and business partners.**

The United States and other jurisdictions or organisations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, legislations or other government means, implemented measures that impose economic sanctions against certain countries, regions or targeted industry sectors, group of companies or persons, and/or organisations within such countries.

During the Track Record Period, we provided ICV testing and related services, as well as ICV simulation testing software and platforms, to the Relevant Customer (which was added to the U.S. entity list published by the BIS and the NS-CMIC List, being our fifth largest, largest and fourth largest customer for FY2021, FY2022 and FY2023, respectively). During the Track Record Period, our revenue generated from the Relevant Customer amounted to approximately RMB7.7 million, RMB35.5 million, RMB13.1 million and RMB0.5 million, respectively, representing approximately 7.2%, 24.4%, 7.5% and 0.9% of our total revenue, respectively.

In addition, as at the Latest Practicable Date, a fellow subsidiary of the Relevant Customer which is wholly-owned by the holding company of the Relevant Customer held 2,830,209 Unlisted Shares, representing 2.1% of the issued share capital of our Company after the Listing (assuming that the Over-allotment Option is not exercised in full).

Based on the U.S. export control restrictions under the EAR (“**U.S. Export Control Restrictions**”) and the current sanction programmes under the NS-CMIC List (“**NS-CMIC Sanctions**”) applicable to the Relevant Customer (together, “**Relevant Sanctions**”), as advised by King & Wood Mallesons, our legal advisers as to International Sanctions Laws, the risk of our business violating any sanction regulations under the U.S. sanction regimes is extremely low. Regarding the U.S. Export Control Restrictions, whether a foreign-produced item is subject to the EAR and is required by the EAR to obtain the export licence from BIS depends on if it falls under both the product scope and the end-user scope as set out in the FDP rules. However, upon consideration of all design tools used for the development of our products and/or services sold to the Relevant Customer, as advised by King & Wood Mallesons, our products fall outside the said product scope providing to the specific end-user scope and are therefore not required to obtain the licence or approval from the BIS when provided to the Relevant Customer.



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As for the NS-CMIC Sanctions, it prohibits the purchase or sale by U.S. person of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of the Relevant Customer. As the transactions between our Group and the Relevant Customer relate to software transactions and technical cooperation, which are not related to the prohibition on security transactions under the NS-CMIC Sanctions, and the prohibitions do not apply to the Relevant Customer's fellow subsidiary owning securities in our Company, we are not in violation of the prohibitions of the NS-CMIC Sanctions.

All in all, based on the aforementioned and as advised by King & Wood Mallesons, there is no indication that our business has sanctions risk as identified under Chapter 4.4 (Sanctions Risks) of the Guide for New Listing Applicants. Please refer to "Business – Legal compliance and proceedings – Business activities with the Relevant Customer subject to International Sanctions Laws" in this prospectus for further details.

However, if any technology and software design tools used for developing our products become subject to the EAR requiring an export licence from BIS, our products will potentially be subjected to the U.S. Export Control Restrictions, and if such products are sold to any restricted entities on the list published by the BIS, we may violate the U.S. Export Control Restrictions. As a result, our products and business development may then be materially inhibited.

In the event that the Relevant Customer or any of our other customers is or in the future become subject to other or additional export control, economic sanction or other trade restrictions or prohibition in the U.S. and other jurisdictions in the future, we may have to discontinue our business with such customers due to potential international sanction risks, and our financial results may be materially and adversely affected.

Further, in general, the economic sanction and similar or more expansive restrictions, controls or sanctions in the U.S. and jurisdictions that may be imposed on our customers, suppliers or business partners, or geo-political trade tensions, may restrict our ability to cooperate or otherwise do business with our business partners, and may also materially and adversely affect our ability to acquire or use technologies, systems, devices or components that may be critical to our products, service offerings and business operations. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Generally, the development of the ICV industry depends on, to a large extent, the general economic, political and social conditions. The international trade tensions and political tensions may have a negative impact on such general, economic, political and social conditions in the world, and accordingly the development of the ICV industry, which may materially and adversely impact our business, financial conditions, results of operations and prospects.

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## RISK FACTORS

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**Our revenue recognition was and may continue to be subject to period-to-period fluctuations.**

We have experienced and may continue to experience period-to-period fluctuations in our results of operations primarily due to the project-based nature of our business and our policy for revenue recognition. Our revenue is recognised upon the delivery of our products/services and the completion of inspection and acceptance by our customers. Historically, more revenue was recognised in the second half of a given year as compared to the first half because we tended to deliver more projects during the second half of the year. In addition, we cannot guarantee against any delay in completion of inspection and acceptance by our customers. Any slight delays in the customer acceptance of our products/services may cause substantial changes in proportion of revenue recognised over different quarters of the year or even different year. As a result of such fluctuations in our revenue recognition from period to period, comparisons of revenue and our operating results between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon in assessing or predicting our future financial performance in a particular year or period.

**We incurred a net loss for each of 6M2023 and 6M2024 and may not be able to achieve or maintain profitability in the future.**

We incurred a net loss of RMB11.1 million and RMB4.6 million for 6M2023 and 6M2024, respectively, which was primarily attributable to the fact that we generally deliver more projects and record more revenue in the second half than the first half of the year, and the revenue and income we generated for 6M2023 and 6M2024 could not cover the costs and expenses incurred for such periods, respectively. We expect to continue to experience the period-to-period fluctuations in our results of operations in the future due to the project-based nature of our business and our revenue recognition policy. For details, please refer to “Risks relating to our business and industry – Our revenue recognition was and may continue to be subject to period-to-period fluctuations” in this section above and “Business – Seasonality” in this prospectus. We believe that our ability to achieve profitability in the second half of a financial year and the entire financial year will depend on, among other things, our ability to increase the sales volume of our products and services to our customers and ensure timely completion of our projects by the end of the year. We cannot assure you that our sales will not decline or there will not be delays in the completion of our projects in the second half of the year, which may be affected by factors beyond our control, such as delays in inspection and acceptance of our products and services by our customers. If our revenue and income do not grow at a greater rate than our costs and expenses in the second half of the year, we may not be able to turn around our loss-making position in the first half of the year.

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**We have significant cash outflow for the payments from our operating activities, and we may not have sufficient operating inflow from the receipt of trade and notes receivables to cover our payments of operating costs in the future and in particular, we recorded net operating cash outflow for FY2021 and FY2022.**

We cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations for our operating activities. Specifically, we recorded net cash used in operating activities of approximately RMB1.8 million and RMB6.4 million for FY2021 and FY2022, which was primarily attributable to the increase in our revenue not yet settled by our customers as at the end of the year, causing a strong increase in our trade and notes receivables from approximately RMB49.4 million as at 31 December 2021 to approximately RMB140.0 million as at 31 December 2022. Please refer to “Risks relating to our business and industry – Our revenue recognition was and may continue to be subject to period-to-period fluctuations.” and “Risks relating to our business and industry – We are subject to credit risk associated with our trade and notes receivables. Any payment delays or defaults from our customers may materially and adversely affect our cash flow and results of operation.” in this section above for further details.

Significant amount of capital is required to be incurred in the R&D of the development and establishment of our ICV simulation testing software and platforms. Thus, we have made significant R&D expenditure that are deployed in our ICV testing, validation and evaluation-related products and services. In addition, we have to incur significant operating costs during the course of our business. In terms of a percentage of our total revenue, the aggregate amount of our operating costs (being our R&D expenses, selling and marketing expenses and general and administrative expenses) accounted for approximately 42.5%, 43.7%, 62.9% and 110.0% of our total revenue during the Track Record Period, respectively. Further, we are generally required by our customers of the large-scale ICV simulation testing platforms and ICV data platforms to provide a performance bond in the amount ranging from 5% to 10% of the awarded contract sum upon signing of the contracts to guarantee our due performance thereof.

We expect to continue to incur significant operating costs in the future to further expand our business, but we cannot assure that we will successfully execute our business strategies as planned. We may not be able to generate sufficient operating inflow from the receipt of trade and notes receivables to cover our payments of operating costs for a particular year for a number of reasons, including, among others, the timing of revenue recognised, default of trade and notes receivables from our customers and insufficient amount of revenue attributable to lack of demand for ICVs and in turn for our ICV testing, validation and evaluation-related products and services, regular amendments to the regulatory framework of the industries we serve or operate in, as well as other risks mentioned herein. In such event, we may record net operating cash flows for that particular year in the future.

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**We may face intensified competition in the future, and any failure to compete effectively and efficiently may materially and adversely affect our business, financial condition, operating results and prospects.**

Driven by various factors, including but not limited to, (i) the accelerated development of the ICV industry; (ii) the strengthening and the standardisation of the new and evolving market regulations; and (iii) the demand for sophisticated data platforms, the competition in the ICV testing, validation and evaluation solutions industry in the PRC is expected to intensify in the future. There can be no assurance that we will maintain our competitive advantages in the long run. As the ICV and related industries in the PRC are rapidly evolving and developing, we may face an increased level of competition from existing and new market players in the future. For details, please refer to “Industry overview – Market drivers and development trends analysis of the PRC ICV testing, validation and evaluation solutions industry” and “Business – Market and competition” in this prospectus.

Our existing and future competitors may be able to innovate new technologies and develop new products and services faster than us, or develop the same technologies and offer the same products and services with lower costs and/or higher qualities, which may affect our sales, impose downward price pressures and result in reduced profit margins or loss of market share in relation to our products and services. In particular, some of our competitors may have more resources compared to us for the development and marketing of new technologies, products and services, which may hinder our growth and adversely impact our future results of operations.

In addition to the competition with other market players within the ICV simulation testing software and platforms market, we may also face competition from downstream customers of the ICV testing, validation and evaluation solutions industry. In particular, customers from the private sector, such as automotive manufacturers and technology companies focusing on developing a high generation of automotives and technologies, may develop ICV-related software and hardware and provide innovative solutions in relation to various aspects of ICVs. For example, they may engage our Group and other service providers to build their own ICV simulation testing platforms and data platforms. These customers may then offer to sell their ICV simulation testing platforms and data platforms as and when appropriate. As these customers may integrate their own technologies in their ICV simulation testing platforms and data platforms, their platforms could be more superior than ours and more desirable to our potential customers, and we may not be able to compete with them effectively. As such, our business, financial condition and results of operations could be materially and adversely affected.

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

Our Company was established in 2014 and our Management Group invested in our Company and commenced our ICV testing-related business operations in 2018. There is no historical basis of predicting the demand, pricing and profitability for our products and services or our capability to develop, upgrade and deliver new products and services in the future. In the event that the long-term trends and development in the market of our new products and services are not as promising as expected, the development of our business will be adversely affected, and that will in turn adversely affect our future operations and growth.

Given our limited operating history in the ICV testing, validation and evaluation solutions industry together with our business strategy to spend more efforts in expanding our private sector business, our historical growth may not be indicative of our future performance and we may not be able to sustain our historical growth rates. Our growth prospects should be considered in light of the risks and uncertainties that fast-growing companies with a limited operating history may encounter, including, among other things, with respect to our ability to:

- maintain and upgrade our ICV simulation testing, validation and evaluation technologies and tools and develop new technologies and tools;
- further commercialise our ICV testing, validation and evaluation solutions;
- launch new products and services;
- retain existing customers and attract new customers to achieve sustainable growth;
- properly promote, market and price our products and services;
- build a well-recognised and reputable brand, in particular in respect of our core technologies, *Sim Pro* and *Safety Pro*, in the industry;
- attract, retain and motivate our core technical staff and highly skilled personnel; and
- adapt to the evolving regulatory environment.

All of these endeavours require significant financial resources and allocation of our valuable management and human resources. There is no assurance that we will be able to effectively retain our valuable technical staff, manage the expansion or growth of our operations, or implement our business strategies. If the market of our products and services does not develop as expected, or if we fail to address the needs of customers or to adapt to the evolving regulatory environment, our business, results of operations and financial condition may be materially and adversely affected.

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**We face risks related to natural disasters, pandemics, epidemics, acts of war, terrorist activities, social disruption and other outbreaks, which could significantly disrupt our operations.**

Natural disasters, epidemics, pandemics, acts of war, terrorist attacks, political unrest, strikes and other events which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business. In late 2019, an outbreak of respiratory illness caused by novel coronavirus disease 2019, or COVID-19, was first reported and COVID-19 was subsequently declared by the WHO a pandemic in 2020 and had an adverse impact on the livelihood of the people all over the world and the global economy.

Such developments had an adverse impact on the economic activities. Our market activities, business meetings and contract negotiation were postponed, resulting in delays in contract signing. In addition, in 2022, due to multiple shutdowns of the Shunyi Testing Site which we were entrusted by Customer A to operate for provision of our closed-course site tests and related services, our business operations at the Shunyi Testing Site for the said period was adversely affected. Please refer to “Business – Our services – ICV testing and related services – Closed-course site tests and related services” and “Business – Relationship with Customer A” in this prospectus for further details.

If any of our employees are affected by the spread of pandemics or the like and are unable to duly execute their duties in providing any of our products and services, our Group’s operations and financial condition may be adversely impacted. Further, in the event that our suppliers or business partners are impacted by the pandemics or the like and are unable to provide services or products to us, we may experience material disruption to our project schedules which may affect our Group’s ability to meet the demands of our customers and may have material adverse impacts on our Group’s business operations and financial performance. In addition, we cannot guarantee that the prolonged pandemics will not affect the demands for our products and services in the future.

If new waves of pandemics or epidemics emerge in the future, both globally and locally, our business operations and financial condition may be materially and adversely affected as a result of any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

**If we are unable to effectively control our R&D expenditure, which in itself may not generate the results we expect to achieve, our results of operations may be materially and adversely affected.**

Since our Management Group took over management and operations of our Company in 2018, we have been focusing on and investing heavily in our R&D efforts. Our R&D expenditure (including R&D costs capitalised as intangible assets) increased from approximately RMB27.1 million in FY2021 to approximately RMB38.8 million in FY2022 and further to approximately RMB76.4 million for FY2023. The industry in which we operate is

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subject to rapid technological changes and evolving innovations. We need to invest substantial resources, including financial and human resources, in R&D efforts to constantly expand and/or optimise our technology portfolios and make our products and services innovative and competitive in the market. As a result, we expect that our R&D expenses will continue to increase significantly in the future.

However, our R&D expenditure may not generate corresponding benefits. R&D initiatives and activities are inherently uncertain, and we may not be able to obtain and retain sufficient and appropriate technical staff and skilled workforce with in-depth industry knowledge. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercialising such R&D results. Given the fast pace with which the intelligent driving technologies and ICV simulation technologies have been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in the industry could render our technologies, our technological infrastructure or products and services that we are developing or expect to develop in the future obsolete or unattractive in a short period of time, thereby limiting our ability to recover our R&D expenditure, which could result in a material decline in our revenue, profitability and market share.

If we are unable to effectively control our R&D expenditure or if our continued investment in R&D activities does not generate corresponding benefits, our business, financial condition and results of operations could be materially and adversely affected.

**We are subject to laws, regulations and policies regarding ICV and ICV testing, validation and evaluation solutions industries.**

As intelligent driving technology is an emerging and evolving technology, it has not yet been widely accepted. The detailed ICV-related industry standards and technical requirements, together with the market access laws and regulations for ICVs, have not yet been promulgated. Any delay in promulgation of the ICV-related industry standards, technical requirements, or market access laws and regulations for ICVs may result in delay in development of ICVs. As the ICV testing, validation and evaluation solutions industry is closely related to and highly dependent on the development of the ICV industry, any such delay may reduce the demand for our products and services, which could materially and adversely affect our business, financial condition and results of operations. At the same time, the laws, regulations and policies regarding ICV testing, validation and evaluation solutions industry are complex and may be subject to amendments from time to time, and their interpretation and enforcement are subject to the then laws and regulations in effect. Furthermore, if the then effective regulation requirements require the adoption of more stringent standards, such as ISO 26262, ISO 21448, ISO 34501 and ISO 34502 applicable to ICVs, we may incur increased compliance cost or become subject to additional restrictions in our operations. If we are unable to comply with the then applicable laws, regulations, policies or applicable national and industrial standards, such actual or alleged failure could damage our reputation, deter existing and potential customers from using our products and services and could subject us to adverse consequences.



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**We relied on a limited number of suppliers during the Track Record Period, and any disruption of supply from our major suppliers could result in an adverse impact on our business, profitability and results of operations.**

We require numerous IT hardware and devices, such as servers and computers, and certain software components, such as map or scenario collection systems and operation systems, to embed into our products to ensure compatibility for delivery of our products and services. We consider various factors for selection of suppliers, including but not limited to, our past dealings and relationship with the suppliers and their credentials, technical specification and quality of the products, price, delivery time and payment method. We did not enter into any long-term agreement with our suppliers during the Track Record Period. During the Track Record Period, we procured hardware and software components of our products, and certain services from a limited number of third party suppliers. Purchases from our top five suppliers collectively accounted for approximately 99.6%, 97.3%, 98.6% and 99.5% of our total purchases in each financial year/period during the Track Record Period, respectively.

There is no assurance that we will be able to source the relevant hardware and software components from our suppliers to meet our needs or will not experience supply shortages for our production or the hardware and software components will meet our needs. We cannot assure you that we will not face the risk of such supplier concentration in the future. In the event any of our existing major suppliers terminates its contracts with us or is no longer qualified, we cannot assure you that we will be able to identify alternative qualified suppliers or develop our own replacements for certain highly customised hardware and software components for our ICV simulation testing platforms and ICV data platforms in a timely manner. Any significant increase in the demand for our ICV simulation testing platforms and ICV data platforms and other products may in the future require us to procure additional hardware and software in a short period of time. Our suppliers may not be able to sustainably and timely meet our cost, quality and quantity needs, requiring us to replace them with other supply sources. There is no assurance that we will be able secure additional or alternative source(s) of supply or develop our own replacements for certain highly customised hardware and software components. If our major suppliers fail to provide hardware and software components to us in sufficient amounts, in a timely manner, or on favourable terms due to reasons beyond our control, our business operations may be significantly interrupted and our business, financial conditions, results of operations and prospects may be materially and adversely affected. Additionally, we continuously negotiate with existing suppliers to obtain cost reductions and avoid unfavourable changes to terms, seek new and less expensive suppliers for certain hardware and software components, and attempt to redesign certain parts to make them more cost-effective to implement. If we are unsuccessful in our efforts to control and reduce supplier costs, our business and results of operations may be materially and adversely impacted.



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In addition, the disruption of our supply chain for any reason could lead to our design changes, development delays and potential loss of access to important technologies, any of which could result in quality issues, delays and disruptions in deliveries, negative publicity and damage to our brand. Any change in business conditions or government policies, natural disasters or pandemics, could also affect our suppliers' ability to deliver such hardware components to us in a timely manner. If any of such suppliers fails to meet our demand, it may take us significant time, and we may incur significant expenses to find alternative suppliers and quantify their supplies.

Moreover, our suppliers may fail to comply with applicable laws and regulations, or they may be involved in product liability claims or incidents of negative publicity. If any of these incidents occur, our customers may also lose confidence in our products that are hosted by or embedded within hardware devices or equipment from the relevant suppliers, and our reputation, business and results of operations may be materially affected.

**We engaged our distributors to sell a portion of our products and we may not have sufficient control over our distributors.**

During the Track Record Period and up to the Latest Practicable Date, apart from selling our products and services directly to end customers, starting from late 2021, we had also sold a portion of our standalone software products to our distributors, which will then resell the products directly to the target end customers. Please refer to "Business – Sales and marketing – Distribution arrangement" in this prospectus for further details. With such distributorship arrangement, any of the following events could cause fluctuations or declines in our revenue, and could have a material and adverse effect on our business, financial conditions, results of operations and prospects:

- reduction, delay or cancellation of orders from our distributors;
- failure to renew the distributorship agreements at favourable terms and maintain the established relationship with our existing distributors; or
- inability to timely identify and appoint additional or replacement distributor(s) upon the loss of our distributors.

Our competitors may launch competitive marketing campaigns and provide more favourable terms to our distributors. We cannot assure you that we will not lose our distributors to our competitors in the future. In addition, we cannot assure that our distributors will fully comply with the distributorship agreements and the distribution policies and procedures established by us from time to time. With a view to keeping track of the inventory levels of our distributors, we have arranged with our distributors to update us their inventory consumption regularly. However, there is no assurance that such information would be reported to us accurately and/or in a timely manner. As our ability to regularly track the inventory levels

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of our distributors is limited and may not be on a real-time basis, it is difficult for us to gather information and data regarding the market acceptance of our products, and whether our sales level corresponds with actual end customer demand.

As we commenced our distributorship arrangement in late 2021, we are still at the early stage to explore and assess the performance of such distributorship arrangement. During the Track Record Period, we generated revenue of approximately RMB8.5 million, nil, nil and RMB0.7 million from sales to our distributors, which accounted for approximately 7.9%, nil, nil and 1.3% of our total revenue, respectively. Up to the Latest Practicable Date, one of our distributors, namely Beijing Brston, maintained a certain level of unsold inventories of our *Sim Pro* and *Safety Pro* products. We may not have absolute control over our distributors' marketing efforts and their relationships with their customers. In the event that the external sales results of our distributors are not as promising as expected, we may have to explore other distribution channels, and our business, financial conditions, results of operations and prospects may be materially and adversely affected.

**Our entrusted operation arrangement with Customer A may not be profitable, which may materially and adversely affect our financial condition and results of operations.**

We have reached an entrusted operation arrangement with Customer A under the agreements for which we agreed to pay Customer A a fixed sum of RMB38 million in three instalments: (i) RMB10 million to be paid in 2023; (ii) RMB13 million to be paid in 2024; and (iii) RMB15 million to be paid in 2025, for our operation of the Shunyi Testing Site, and we are entitled to all revenue generated from operating the Shunyi Testing Site during the entrusted operation period. If the revenue generated from our operation of the Shunyi Testing Site is not as high as we expected or if we suffer from demand fluctuations in relation to closed-course site tests and related services we provide at the Shunyi Testing Site, we might not be able to generate profit from the entrusted operation arrangement between our Group and Customer A, which may materially and adversely affect our financial condition and results of operations.

**The global shortage and trade controls or sanctions on semiconductor chips may disrupt the operations of our customers, and in turn may adversely affect our business, results of operations and financial condition.**

Semiconductor chips are commonly applied in ICVs. Since late 2020, there has been a global shortage in the supply of semiconductor chips for automotive production resulting from the COVID-19 pandemic, increased demand for consumer electronics and disruption of the semiconductor production mainly due to the labour shortage. Moreover, there are announcements on sanctions against certain entities engaged in the semiconductor industry in response to recent global events, which has also affected the supply of semiconductor chips globally. There is no assurance that our customers, namely automotive manufacturers, will be able to obtain sufficient quantities of semiconductor chips and other major components for their operations at a reasonable cost, or at all. If suppliers of semiconductor chips are unable to meet the needs of our customers on acceptable terms, or at all, our customers' production

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and delivery could be disrupted and thereby affecting their results of operations. If our customers are required to reduce their budget for R&D on upgrading their ICVs as a result of the foregoing, their demand for ICV testing, validation and evaluation solutions could be reduced, which, in turn, could have an adverse effect on our business, results of operations and financial condition.

**Cost overruns and project delays may materially and adversely affect our results of operations and financial condition.**

Our revenue is generally derived from contracts with fixed prices which may expose us to cost overruns due to unforeseeable circumstances. For instance, we may be unable to recover any cost overruns caused by project delays, and our results of operations might be adversely affected. Moreover, if there are any project delays, we may be liable to penalty and liquidated damages as stipulated in the relevant project contracts and our customer relationship may be adversely affected, which in turn adversely affect our results of operations and financial condition.

In addition, notwithstanding the occurrence of unforeseen circumstances that are not owing to our fault, our customers may terminate part or all of our contracts, resulting in our potential cost overruns. Therefore, there is no guarantee that we would not encounter cost overruns or project delays in our current or future provision of products and services. If cost overruns or project delays occur, our financial condition or results of operations may be materially and adversely affected.

**Failure to renew the Shunyi Agreement may affect our business prospects and results of operations.**

We entered into the Shunyi Agreement with Customer A in August 2021, pursuant to which Customer A entrusted the operation of the Shunyi Testing Site to our Company for a period of approximately three years from 14 January 2022 to 10 February 2025. Entering into the Shunyi Agreement has enabled us to provide ICV closed-course site tests and related services at the Shunyi Testing Site. For details, please refer to “Business – Our services – ICV testing and related services – ICV closed-course site tests and related services” in this prospectus.

The Shunyi Agreement will expire on 10 February 2025. Subject to the terms of renewal of the entrusted operation arrangement of the Shunyi Testing Site to be offered which are fair and reasonable in the interest of our Company and Shareholders as a whole, we plan to renew the agreement upon its expiration in due course. However, we cannot assure you that we will successfully renew the Shunyi Agreement on time or at all. Our failure to renew the Shunyi Agreement may restrict the conduct of our business and restrain our ability to expand our business scope, which could adversely affect our business operations, profitability and prospect.

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**We entered into strategic partnerships with certain business partners for various projects and initiatives.**

We entered into strategic partnerships with certain business partners for development of various projects and initiatives in relation to ICV testing, validation and evaluation business. We have collaborated with SGS, a multinational inspection, verification, testing and certification solutions provider in establishing a voluntary SOTIF certification system for ICVs in China. We have also collaborated with TÜV SÜD, another world-leading testing and certification solutions provider, in high levels of intelligent driving and related testing and certification.

We could be affected by adverse publicity related to such partners, whether or not such publicity is related to their collaboration with us. We cannot assure you that our relationships with them will remain amicable and stable or that they will continue to collaborate with us on commercially reasonable terms or at all. There is also no guarantee that we will be able to establish new business partnerships or extend existing relationships with our business partners when our agreements with them expire on terms and conditions acceptable to us. Furthermore, certain of our agreements with our business partners may be terminated prior to their specified termination dates or upon certain termination events and our business partners may amend or supplement the contract terms. If we are unable to maintain our relationships with our key business partners, or any of our collaboration with our key business partners is terminated, our business and financial results could be severely affected. Any of the foregoing could adversely affect our business, results of operations, financial condition and prospects.

**Our financial assets at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of these financial assets would affect our financial results.**

Our financial assets at fair value through profit or loss amounted to approximately RMB119.7 million, RMB125.2 million, RMB138.1 million and RMB132.6 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. Our financial assets at fair value through profit or loss included our unlisted equity investment of Guoqi Intelligent Control and our principal guaranteed wealth management products purchased from commercial banks in the PRC. For details, please refer to “Financial Information – Discussion of selected items of consolidated balance sheets – Financial assets at fair value through profit or loss” in this prospectus. The fair values of our financial assets at fair value through profit or loss (which were classified as valuation of level 2 and level 3 instruments for financial reporting purposes), in the absence of an active market, were estimated by using various applicable valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. The details of the fair value measurement of our financial assets at fair value through profit or loss, including, among other things, significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 3.3 to the Accountant’s Report in Appendix I to this prospectus. Any changes in the unobservable inputs will affect the estimated fair value of our level 2 and level 3

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financial assets at fair value through profit or loss, which lead to uncertainty in accounting estimation. Any substantial decrease in the fair value of our financial assets at fair value through profit or loss may have an adverse effect on our financial results as well as our results of operations if we hold any financial assets at fair value through profit or loss in the future.

**The carrying amount of our intangible assets is subject to potential impairment.**

Our intangible assets of approximately RMB7.4 million, RMB16.0 million, RMB31.7 million and RMB36.0 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, primarily represented our simulation, modelling and algorithm software programmes for our R&D purpose, internally generated intangible assets and other business and financial software for our business operations. Intangible assets are reviewed and tested for impairment in accordance with the relevant accounting standards. An impairment loss is recognised in profit or loss if the carrying amount of the intangible asset exceeds its recoverable amount. There is no assurance that we will not incur impairment losses on our intangible assets. Any significant impairment losses could materially and adversely affect our profitability and financial position.

**Our growth prospects may be limited if we fail to successfully implement our business strategies and future plans.**

We intend to implement various business strategies to strengthen our market position and enhance our competitiveness in the ICV testing, validation and evaluation solutions industry, including but not limited to (i) continuing to optimise and upgrade our existing solutions and strengthen our technological advantages; (ii) increasing our investment in the innovation of new products and solidify our market presence in the ICV testing, validation and evaluation solutions industry; (iii) growing our customer base and geographically expand our market coverage; and (iv) growing our talent pool to support our business development plans. In addition, we intend to expand the application of simulation technologies and explore business opportunities in other industries with our net proceeds from the Global Offering. Please refer to “Business – Our strategies” and “Future plans and use of proceeds – Use of proceeds” in this prospectus for further details. Our business strategies and expansion plans are formulated based on, among other things, our knowledge and information of the prevailing market circumstances and the competitive landscape of the industry.

We expect to continue to expand our operations as we grow and diversify our customer base and explore new business and opportunities. To manage the further expansion of our business and growth of our operations and personnel, we need to continually improve our operational and financial systems, procedures and controls, and expand, train, manage and maintain good relations with our growing employee base. We cannot assure you that we can retain and keep motivating our existing labour force or there will be no labour disputes in the future.

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We expect our ICV simulation testing software and platforms and the ICV data platforms and other products to become key revenue drivers of our Group, and believe that our future growth lies in the success of our ICV testing, validation and evaluation technologies and related businesses. For the growth of our business to be more sustainable, we must be able to adapt to systems and processes suitable for and compatible with the needs of our customers or in accordance with government policy development. If we are unable to do so, we may not be able to attract new customers. In addition, we must maintain our relationships with existing customers and explore new business opportunities with existing customers. Our current and future personnel, systems, procedures and controls may not be adequate to support our expanding operations, and consequently our financial condition and operating results may be materially and adversely affected.

In view of the above, our prospects must be considered in light of the risks and uncertainties facing us in various stages of development of our business. If there is any subsequent change in the circumstances or any underlying assumptions of our expansion plans are proved to be untrue, our future plans may not be effective in enhancing our growth, and as a result, our business, financial condition and results of operations may be materially and adversely affected.

**If our future acquisitions are not successful, our future results of operations and growth prospects may be materially and adversely affected.**

We may in the future consider and consummate strategic acquisitions including the potential acquisition of technology companies to supplement our in-house R&D capabilities. However, there can be no guarantee that we will manage to identify a suitable acquisition target, or that we will be able to consummate the transaction in a timely manner or at all. Even if we do identify such target and successfully consummate such transaction, we may not achieve the technological, operational or economic benefits as expected. In addition, we may be subject to unanticipated material risks and challenges by reason of such strategic acquisitions, including:

- the need to use substantial amounts of cash, incur additional borrowings and/or issue potentially dilutive equity securities to finance the proposed acquisitions;
- the increased operating expenses and cash flow requirements following such acquisitions;
- the assumption of contingent or hidden indebtedness or liabilities, or unforeseen costs as a result of such acquisitions;
- new regulatory requirements and compliance risks associated with the acquired assets or businesses;
- restrictions imposed by applicable anti-monopoly and unfair competition laws, regulations and rules that may govern our proposed acquisitions;

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- difficulties in integrating the employees, operations, technologies, products and services of the acquired business into those of ours;
- disruptions to our ongoing business and daily operations, and diversion of the management's attention and our resources from our existing engagements and initiatives;
- impairment to our goodwill when there is deterioration in the capabilities of acquired companies to generate cash flows, and the fair value of the goodwill drops below its book value;
- inability of the acquired targets to share or provide us with the IP rights, technology or R&D capacity we required; and/or
- difficulties in motivating and retaining the key employees or maintaining the key customers and business relationships of the acquired businesses, or the loss of such employees, customers or business relationships.

We may be unable to avoid one or more of the above events, or generate sufficient revenue and benefits from our future acquisitions to offset the costs and losses associated with such events in case we encounter them, which will materially and adversely affect our business, results of operation and growth prospects.

Furthermore, acquisitions of PRC companies are subject to the Anti-Monopoly Law and the Provisions of the State Council on the Threshold for the Reporting of Undertaking Concentrations (國務院關於經營者集中申報標準的規定), under which business operators are required to file anti-monopoly applications for certain acquisitions based on the turnover of the acquirer and the target entity. The Anti-Monopoly Law also prohibits monopolistic acts including monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition. On 23 October 2020, the SAMR promulgated the Interim Provisions on the Examination of Concentrations of Undertakings (經營者集中審查暫行規定) with effect from 1 December 2020, revised on 24 March 2022 in effect from 1 May 2022. The relevant restrictions and requirements may affect our ability to conduct our proposed acquisitions and expand our business scope which would result in adjustments to our business plans and limit the growth of our business.

Our ability to become profitable in the future will not only depend on our efforts to generate revenue from our ICV testing, validation and evaluation products and related services but also our ability to control our costs and expenses. If we are unable to adequately control the operating costs, we may experience losses and negative cash flows from operating activities in the future. Further, we may need additional capital resources in the future if we experience changes in business condition or other unanticipated developments, or if we expect to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. We currently do not have any external borrowings or loans. If we require equity or debt financing to meet our working capital and capital expenditure requirements in the future and are unable



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to manage our cash flow properly and experience significant cash flow mismatch or unable to obtain such financing in a timely manner or on acceptable terms, or at all, we may fail to implement our business plans or experience disruptions in our operating activities, and our business, financial condition and results of operations could be materially affected.

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

We generally offer a warranty period of one to three years for our ICV simulation testing platforms and ICV data platforms and other products. As we continue to grow our operations with enlarging customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customers' needs. We may not be able to recruit or retain sufficient qualified technical personnel with experiences in supporting customers of our products and services. As a result, we may not be able to respond quickly enough to accommodate increases in customer demand for technical support or maintenance assistance.

If we experience increased customer demand for support and maintenance, and we are unable to provide efficient customer maintenance and support, our business may be adversely impacted. Our ability to attract new customers is highly dependent on our business reputation and recommendations or word of mouth from our existing customers. If we fail to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers, our business, results of operations, financial condition and prospects could be materially and adversely affected.

**Failure to retain our experienced management team may hinder our business prospects.**

Our experienced management team, which is led by our Management Group, namely Mr. Hu, Ms. Ma and Mr. He, have contributed significantly to our success with their leadership, extensive expertise and know-how in the ICV testing, validation and evaluation solutions industry over the years. For details of the qualifications of our Directors and senior management, please refer to "Directors, Supervisors and senior management" in this prospectus. Collectively, our executive Directors, together with our senior management, are responsible for devising and overseeing the implementation of our business and development strategies. We expect that our executive Directors and our senior management will continue to play an important role in the future growth and success of our business. In the event that we lose any of their services, there is no guarantee that we will be able to recruit a competent replacement with comparable knowledge, skill and experience in a prompt manner or at all, which may have a material and adverse impact on our ability to grow and sustain our business.



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**If we are not able to maintain and expand the compatibilities of our products and services developed or delivered using third party products and services, our business, financial condition, and results of operations could be adversely impacted.**

The competitiveness of our products and services depends in part on our ability to operate and utilise products and services of third parties, such as IT systems providers and standardised or customised hardware and software manufacturers or developers. As we make our software and platforms available across a variety of systems and devices via rich interfaces, the success of deployment depends on the compatibility of our tools with mainstream devices and systems and cloud infrastructure that we do not control. Any changes to the technologies used in our products and services, to the existing features of the third party products or services that we rely on, or to systems which make it difficult to operate and utilise, may cause disruption to our services or technical failures of our products or simply make it more difficult for our customers to access or use our products or services, resulting in an adverse impact to our reputation and confidence in our products and services and our business, financial condition, and results of operations could also be adversely impacted.

**Granting of options or restricted stock units or other types of awards may result in substantial share-based payment, which would affect our financial performance, and may cause share dilution.**

We have adopted an Employee Incentive Scheme since 2020 which was further amended, restated and consolidated by resolutions of our Shareholders which is intended to continue to recognise the contributions from our senior management members and core employees and to further motivate them. The Employee Incentive Scheme was terminated pursuant to a resolution of our Shareholders on 25 August 2023, upon which, no further awards under the scheme will be granted but the provisions of the Employee Incentive Scheme shall remain in full force and effect in respect of the management of, as well as rights and obligations of the awards granted before the termination of the scheme. For further details, please refer to “D. Employee Incentive Scheme” in Appendix VI to this prospectus. To further incentivise our employees’ contributions and attract and retain key or valuable personnel, we may consider granting additional employees share options, restricted stock units and other share-based compensation in the future. Such share-based compensation may incur substantial expenses and cause share dilution. Furthermore, the exercise of any share options in the future grant will increase the volume of our H Shares circulated in the market and any actual or perceived sales of additional H Shares acquired through exercising such options may materially and adversely affect our H Shares’ trading price.

**Malfunction or failure in our IT infrastructure and systems and our software solutions products in the course of our business operations could adversely affect our reputation, business operations and prospects and lead to potential litigation liability.**

As the smooth and efficient operations of our ICV testing, validation and evaluation business requires a high data processing capability and the availability of real-time statistics, we place great emphasis on the use of a set of standardised or tailor-made advanced IT systems to facilitate our business operations. In the course of our business operations, a wide range of

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information and data in relation to project management, R&D activities and daily business operation management are electronically recorded and automatically analysed in our IT systems, which typically include (i) our self-developed project management system; (ii) standardised R&D systems and tools; (iii) the standardised office automation system (“**OA system**”); and (iv) a standardised financial software. For further details of our advanced IT systems, please refer to “Business – Information technology” in this prospectus. We are susceptible to risks relating to technical failure or improper performance of our IT infrastructure and systems and our reputation and business operations could be adversely affected if we fail to respond to such failure and recover the relevant data in a timely and prompt manner.

We believe that the effectiveness of our information and operational management lies in our ability to keep abreast of the latest technological developments in terms of the available upgrades to our IT systems. However, there is no assurance that we will be able to make prompt and cost-effective enhancements to our IT infrastructure and systems or at all, which may adversely affect our reputation and business prospects. We are also susceptible to risks of cyber-attacks such as hacking or other technical disruptions, which may materially and adversely affect our business, financial condition and results of operations.

Furthermore, a product or service liability claim against us may arise as a result of testing errors or incorrect testing results in relation to our testing products and services, for which we do not maintain any product insurance to cover such contingencies. Such claims may be pursued by way of contractual remedy or by way of civil action if our erroneous or incorrect testing result cause damages or injuries on the part of our customers or third parties. Regardless of its merits, any product or service liability claim could be time consuming and expensive to defend, and may potentially divert resources and management focus from our business operations. If the claim is successful, we may be required to pay substantial amount of damages, and revocation of certifications, approvals, permits or licences that we have already obtained may follow. As we treat our testing products and services as the key competitiveness of our business, any loss of certifications, permits or licences could cause our existing or potential customers to be reluctant to use our products or services in the future. In such event, our brand and reputation, business, financial results and growth prospects could be materially and adversely affected.

**Security infringement may damage our reputation and brand, adversely affect our business, prospects, financial performance and results of operations.**

During the ordinary course of our provision of products and services related to ICV simulation testing platforms and ICV data platforms and other products, we directly collect personal information from the contact information of our business partners and indirectly collect real-world data about the traffic and relative movement of the vehicles. We are required by applicable laws to properly keep and maintain data collected by us, and to protect the information of our customers or business partners from leakage. We are also subject to, among others, regulations on cyber security, data and privacy protection in the PRC. We have adopted various measures to ensure legal compliance. For details, please refer to “Business – Data protection and privacy” in this prospectus. However, these measures may not always be

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effective in protecting data collected by us and there is no guarantee that we can completely prevent the information from leakage and constantly maintain compliance under complex regulatory environment. Our IT systems could be breached through hacking activities. Data we maintain could be leaked due to any hacker's acts or misuse caused by misconduct or negligence. Any perceived concerns relating to our collection, utilisation, disclosure and retention of data, including our security measures in place to protect the data that we collect, whether sufficient or not, could negatively impact on our reputation, brand and the demand for our products or services, restrict portions of our business, or force us to expend extra costs and resources to alter our technology platforms or business model, enhance and prioritise our internal control measures, security management and IT systems, which could materially and adversely affect our business, prospects, financial performance and results of operations.

**Our confidentiality and non-compete covenants with employees and other third parties may not adequately prevent disclosure of our know-how and proprietary information.**

Throughout the years, we have devoted substantial resources to the development of our technologies and know-how. Although we enter into employment agreements with confidentiality, non-compete covenants and IP ownership clauses with our employees, there is no assurance that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other IP will not otherwise become available to third parties, or even competitors. Furthermore, others may independently discover know-how and proprietary information, which may limit our ability to assert any proprietary rights against such parties. Costly and lengthy litigation could be inevitable to enforce and determine the scope of our proprietary rights, and failure to obtain or protect our know-how and proprietary information could adversely affect our business, reputation and competitive position.

**We may not be able to prevent others from unauthorised use of our IP, which could harm our business and competitive position.**

The rights to use the core technologies and the protection of proprietary knowledge, technologies and processes developed by us are crucial to our continuous success and development. We rely on a combination of copyright, patent, trademark and trade secret laws, as well as non-disclosure agreements, non-compete covenants, IP ownership clauses and other methods to protect our IP rights. The steps we have taken may be inadequate to prevent the misappropriation of our technologies. Reverse engineering, unauthorised copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us.

Moreover, we provide lots of technical know-how related to our products and services to our business partners in the course of our collaboration with them, which may lead to disclosure to our business partners some of our core technologies which might enable them to master such technologies and therefore be able to offer products and services that compete with ours, which could affect our business, reputation and competitive position. To the extent that we seek to enforce our IP rights through litigation, there is no assurance that the competent

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courts will accept our claims and rule in our favour. Any such litigation may result in substantial costs and diversion of resources and management attention to defend and protect our IP rights against unauthorised infringement.

**Any infringement by our Group on the IP rights of others may adversely affect our reputation and profitability.**

There is no assurance that there will not be any third party infringement of our IP rights or infringement of others' IP rights by us in the future. If we infringe others' IP rights (especially for patents), we have to incur costs in either defending or settling any allegation of infringement of IP. As we adopt new technologies and roll out new products and services or new versions from time to time, we may face the risk of being subject to IP infringement claims that may arise from our use of new technologies and provision of new products and services. In addition, given that the legal standards are evolving, we cannot assure you that we can keep ourselves in compliance with all applicable laws and regulations affecting the IP of our business.

IP litigation is expensive, time-consuming and could divert resources and management attention from the operations of our business. There is no assurance that we will successfully defend against or settle any disputes alleging infringement. In the event that we are subject to any infringement claims that we fail to defend against or settle such disputes, we may need to expend additional resources to obtain licences, or to develop non-infringing alternatives. We cannot assure you that our Group will succeed in developing such alternatives or in obtaining such licences on reasonable terms or at all. Any failure to do so may disrupt our software developing processes, our ability to develop software and market our products, damage our reputation and affect our profitability.

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

We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the PRC. In particular, we have business collaborations with government authorities and SOEs and directly or indirectly interact with their officials and employees in our ordinary course of business. We may be subject to investigations and proceedings by the PRC government authorities, and even fines and sanctions, which would in turn affect or damage our brand and reputation in the market materially. If any of our subsidiaries, Directors, Supervisors, senior management, employees, representatives, consultants, agents or business partners engage in corrupt, fraudulent or other unfair business practices or otherwise breach such applicable laws or regulations, we may be held responsible and become subject to one or more legal proceedings or enforcement actions. In such circumstances, we might be subject to adverse media coverage where we might be required to take appropriate remedial measures and incur associated costs and expenses (including legal expenses), all of which could materially and adversely affect our business, reputation, financial condition and results of operations.

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**We may be subject to risks relating to our failure to complete lease registration for our leased properties.**

As at the Latest Practicable Date, we leased several properties as office premises and staff accommodation. Pursuant to the applicable PRC laws and regulations, for property lease agreements, lease registration must be completed with relevant local housing or urban-rural development authorities in the PRC. As at the Latest Practicable Date, lease registration was not completed with the relevant authorities for nine of our property lease agreements. As advised by our PRC Legal Advisers, failure to complete such lease registration would not affect the validity of such lease agreements. However, the relevant government authorities may order us to complete the lease registration for such lease agreements within a prescribed period, failing which we may be subject to a fine from RMB1,000 to RMB10,000 for each non-registered lease. As such, our Directors estimate that the maximum fine may amount to RMB90,000. We cannot assure that we will be able to complete the lease registration on a timely basis or at all in such cases and we may be subject to penalties arising from the failure to complete the lease registration filing of lease agreements and any disputes arising from our leased properties in the future. Please refer to “Business – Properties – Failure to complete lease registration” in this prospectus for further details.

**Our leased property interests may be defective or subject to other non-compliance and our right to lease the properties may be affected, which could cause disruption to our business.**

As at the Latest Practicable Date, with respect to one of our office premises and two of our leased properties for staff accommodation, the relevant lessors had not obtained the property ownership certificate or had not provided us with relevant authorisation documents evidencing their rights to lease the properties to us. The absence of the property ownership certificate or authorisation documents limits our ability to determine whether the lessors have the right to lease the properties to us, and if any of the lessors are unable to obtain the property ownership certificate, or they are not the legal owners and have not been duly authorised by the legal owners, we may be demanded to vacate the relevant leased properties. Further, one of our leased properties is located on allocated land and the use of it is not consistent with the designated use of land stated on the relevant ownership certificates. As a result, we may face challenges to the validity of the relevant lease, and may be forced to vacate the relevant property and relocate the relevant office. We may therefore incur additional relocation expenses and our business operations may be disrupted during the relocation period. As such, our business, financial condition and results of operations may be negatively affected. Please refer to “Business – Properties – Defective leased property interests and other non-compliance of our leased properties” in this prospectus for further details.

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**Our business is subject to complex laws and regulations in relation to cyber security, data and privacy protection. Any failure to comply with these laws and regulations could adversely affect our business, prospects, financial performance and results of operations.**

To ensure cyber security, data and personal information protection, the PRC government authorities have recently promulgated, among others, the Personal Information Protection Law, Data Security Law and Measures for Cyber Security Review (網絡安全審查辦法). In addition, on 1 October 2021, the Several Provisions on Automotive Data Security Management (Trial Implementation) (汽車數據安全管理若干規定(試行)) came into force, which defines “important data” of the automotive industry and prescribes annual reporting obligation on automotive data handlers. On 24 September 2024, the State Council published the Administration Regulations on Network Data Security (網絡數據安全管理條例) (the “**Network Data Security Regulations**”), which provides that the network data handlers shall be subject to national security review if their network data handling activities affect or may affect national security. Any failure, or perceived failure to maintain the security of our data or to comply with applicable PRC privacy, data security and personal information protection laws and obligations may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. For further details, please refer to “Regulatory overview – Regulations on cyber security and data protection” in this prospectus.

On 28 December 2021, Measures for Cyber Security Review was issued by the CAC jointly with other government authorities, which took effect on 15 February 2022. Under the Measures for Cyber Security Review, the procurement of network products and services by critical information infrastructure operators and the data processing activities conducted by network platform operators which affect or may affect national security shall be subject to cyber security review. Besides, according to Article 7 of the Measures for Cyber Security Review, a network platform operator who processes the personal information of more than one million users and is seeking for listing in a foreign country must apply for a cyber security review. In addition, according to Article 16 of the Measures for Cyber Security Review, member organisations of the cyber security review working mechanism (the “**Working Members**”) may initiate cyber security review towards network products, network services and data processing activities ex officio, which means we may also be subject to cyber security review when the Working Members initiate such cyber security review ex officio.

Based on the Measures for Cyber Security Review, cyber security review shall focus on the assessment of a number of national security risk factors of the relevant object or situation, including but not limited to, risks of any illegal control or supply chain interruption of critical information infrastructure, and risks of illegal use or cross-border transmission of data. As at the Latest Practicable Date, we have not been notified by any competent authorities that we are an operator of critical information infrastructure and the network products and services purchased and used by us are general network products and services in the market, and there is no obvious risk of supply chain interruption. We have not received any material queries or



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notifications from the CAC or other PRC government authorities and have not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cyber security, data and personal information protection. There has been no material cyber security or data protection incidents with respect to data or personal information theft, leakage, damage or loss. Furthermore, our data will not be transferred to recipients located in regions and countries outside the territory of Mainland China. We have also established a series of basic security and data protection policies pursuant to the Cyber Security Law, the Data Security Law, the Personal Information Protection Law and other relevant laws and regulations.

Laws and regulations in relation to cyber security, data and personal information protection may be subject to amendments from time to time. We may be in the future subject to enforcement actions or litigation if we, our business partners or our customers fail to abide by the then applicable laws and regulations, which could materially and adversely affect our business, prospects, financial performance and results of operations.

**Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.**

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by a number of factors, such as changes in the global economic conditions and the fiscal and foreign exchange policies. With the development of foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further reforms to the exchange rate system. We cannot assure you that the exchange rates of Renminbi against the Hong Kong dollar or the U.S. dollar will not change in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any change in the exchange rate of the Renminbi to the U.S. dollar, the Hong Kong dollar or any other foreign currencies may affect the value of our proceeds from the Global Offering, and the value of, and any dividends payable on, our H Shares in foreign currencies. Further, there is no assurance that we will, at a certain exchange rate, have sufficient foreign currencies to meet our demand (if any) for foreign currencies in the future. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

**Increasing labour costs in the PRC could adversely affect our profitability and growth.**

The economy of the PRC has experienced significant growth over the past several decades, which has led to, among other things, increased labour costs. If there are material increases in labour costs, including both wages and employee benefits, our profitability and results of operations may be materially and adversely affected, unless we are able to pass on these costs to our customers by increasing our fees and charges correspondingly.

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## RISK FACTORS

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**Failure to comply with the labour and social insurance-related laws and regulations may adversely affect our business, financial condition and results of operations.**

The PRC government has issued various labour-related regulations to further protect the rights of employees. According to such laws and regulations, employees who have worked continuously for more than a year are entitled to annual leave ranging from five to 15 days and are able to be compensated for any untaken annual leave days in the amount of three times their daily salary, subject to certain exceptions. In the event that we decide to change our employment or labour practices, the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “**Labour Contract Law**”) and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective.

Moreover, according to the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the “**Social Insurance Law**”), which came into effect on 1 July 2011 and was amended and came into effect on 29 December 2018, and Regulations on Management of Housing Provident Fund (住房公積金管理條例), which was amended and came into effect on 24 March 2019, we are obliged to contribute to social insurance and housing provident funds for our employees amounts equal to certain percentages of their salaries up to a maximum amount specified by the local government in the locations where we operate.

Our Directors confirmed that we had fully complied with the social insurance and housing provident funds contribution requirements in accordance with the relevant laws and regulations in the PRC during the Track Record Period. We may in the future fail to pay all of our employees such social insurance and housing provident funds in full in accordance with the relevant PRC requirement. If we are subject to severe penalties or if we incur significant liabilities in connection with labour disputes or investigations, our business, financial condition and results of operations may be adversely affected.

**There may be difficulties in effecting service of legal process upon or enforcing judgements obtained outside the PRC against us or our Directors, Supervisors or senior management who reside in the PRC.**

We are a joint stock company incorporated under the laws of the PRC with limited liability. All of our assets are located in the PRC and, save for Mr. Wong Ho Kwan (黃浩鈞) who is an independent non-executive Director, all of our Directors and Supervisors and all of our senior management personnel reside within the PRC, and all of their assets are located within the PRC. Therefore, it may be time-consuming for investors outside the PRC to effect service of process upon us or most of our Directors, Supervisors and senior management personnel in the PRC.

On 14 July 2006, the Supreme People’s Court of the PRC (中華人民共和國最高人民法院) (the “**Supreme People’s Court**”) and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administration Region Pursuant to Agreed Jurisdiction



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## RISK FACTORS

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Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**2006 Arrangement**”), which was promulgated by the Supreme People’s Court on 3 July 2008 and came into effect on 1 August 2008. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil or commercial case where there is a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgement. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement on Reciprocal Recognition in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute. In addition, the 2006 Arrangement has expressly provided for “enforceable final judgement”, “specific legal relationship” and “written form.” A final judgement that does not comply with the 2006 Arrangement may not be recognised and enforced in a PRC court.

On 18 January 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgements in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. The 2019 Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The 2019 Arrangement came into effect on 29 January 2024, after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong. The 2019 Arrangement supersedes the 2006 Arrangement.

**Failure to obtain government grants that may be available to us, or the discontinuation, reduction or delay of any of the government grants currently enjoyed by us in the future could materially and adversely affect our business, financial condition, results of operations and prospects.**

During the Track Record Period, our government grants under other income amounted to approximately RMB13.2 million, RMB9.2 million, RMB31.3 million and RMB10.3 million, respectively. Our government grants comprised (i) Income from Government, which represents income generated from our Government Contracts to work together with the government and/or other market players to conduct ICV-related R&D and contribute to the overall development of the ICV industry, in conjunction with providing certain of our products and services; (ii) rental subsidies; and (iii) other government grants provided by government authorities. For details, please refer to “Business – Income from Government” and “Financial information – Discussion of selected items in consolidated statements of comprehensive income – Other income – Government grants” in this prospectus.

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Nevertheless, our government grants are generally non-recurring in nature. We cannot assure you that we will be able to enter into similar contracts with PRC government authorities or receive such rental subsidies and other government grants in the future as the availability and conditions of such contracts, rental subsidies and other government grants are subject to the discretion of the PRC government. The discontinuation, reduction or delay of these government grants could adversely affect our business, financial condition, results of operations and prospects.

**Our preferential tax treatments are non-recurring in nature. If our preferential tax treatments are revoked, become unavailable or if our tax liability calculation is challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, which may materially and adversely affect our results of operations.**

Our Company and our PRC subsidiaries operate in the high-technology and software industry and may enjoy various types of preferential tax treatment under the applicable PRC tax laws. If members of our Group meet the relevant requirements, two main types of preferential treatment may be available for them, being the software enterprises and Key Software Enterprises\* (重點軟件企業) within the scope of the mainland Chinese national plan. In particular, our Company is qualified as a Key Software Enterprise\* (重點軟件企業) in 2022, and is eligible to EIT exemption for the first five profit-making years beginning from 2019 to 2023 and is subject to a reduced EIT tax rate of 10% in subsequent years. Please refer to “Regulatory overview – Laws and regulations relating to taxation – Income tax” in this prospectus for further details. As such, our Company was not subject to EIT during the Track Record Period. Nevertheless, our preferential tax treatments are non-recurring in nature. If our preferential tax treatments are revoked, become unavailable for any reason or if our tax liability calculation is successfully challenged by the PRC tax authorities, the disruption or discontinuation of any type of preferential tax treatment we enjoy could materially and adversely affect our results of operations.

**We are a PRC enterprise and subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.**

Under applicable PRC tax laws and regulations, both the dividends we pay to non-PRC resident individuals holders of our H shares and gains realised upon the sale or other disposition of our H shares by such shareholders are subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by applicable tax treaties or arrangements. We are required to withhold related tax from dividend payments. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “Arrangements”) executed on 21 August 2006, the PRC government may levy taxes on the dividends paid by PRC companies

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## RISK FACTORS

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to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

Pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, non-PRC resident enterprises are generally subject to EIT at the rate of 10% on dividends received from the PRC companies and gains realised upon disposition of equity interests in the PRC companies, if they do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises. Such EIT may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to the Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; or (ii) otherwise, 10% of the total amount of dividends.

The interpretation and enforcement of applicable tax laws and regulations in the PRC by the PRC tax authorities, including whether and how income tax will be levied on non-PRC resident shareholders, will be determined according to the laws and regulations then in effect. Non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sales or transfers by other means of the H Shares. The value of our H Shares may be materially and adversely affected if any such tax is collected.

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

**There was no public market for our H Shares prior to the Global Offering and an active trading market for our H Shares may not develop or sustain.**

Prior to the Global Offering, there was no public market for our H Shares. Following the completion of the Global Offering, the Stock Exchange will be the only market whereby our H Shares are publicly traded. We cannot assure that: (i) there will be an active trading market for our H Shares; or (ii) if an active trading market does develop, it will be sustainable following the completion of the Global Offering.

Prospective investors should also note that the initial range of the Offer Price was determined as a result of negotiations between our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and may differ significantly from the market price of our H Shares following the completion of the Global Offering. If an active trading market for our H Shares does not develop or is not sustainable after the Global Offering, the market price and the liquidity of our H Shares could be materially and adversely affected.

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## RISK FACTORS

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**Our H Shares are subject to possible price and trading volume volatility.**

The market price and the trading volume of our H Shares may be highly volatile. Factors such as variations in our earnings, cash flows and revenue, and announcements of new investments and/or strategic alliances could cause the market price and the trading volume of our H Shares to change suddenly and substantially. Furthermore, stock markets and the shares of some listed companies in Hong Kong have experienced substantial price volatility in the past. It is likely that our H Shares may be subject to the broad market and industry fluctuations in market price and trading volume which may not be related to the financial or business performance of our Company from time to time.

**Our Directors retain discretion as to how our Company will use our net proceeds from the Global Offering, and potential investors may not necessarily agree with how we will use them.**

We plan to use our net proceeds from the Global Offering for (i) enhancing our R&D capacities; (ii) geographic expansion and enhancing our sales and marketing efforts; and (iii) general corporate purpose and working capital. For details of our intended use of proceeds, please refer to “Future plans and use of proceeds” in this prospectus. However, our Directors will have discretion as to the actual application of our net proceeds from the Global Offering, and thus may use the net proceeds from the Global Offering in a manner with which prospective investors may or may not agree and/or which may not yield a favourable return. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of our net proceeds from the Global Offering.

**Potential investors will experience immediate and substantial dilution as a result of the Global Offering and may experience further dilution as a result of future equity financings.**

The Offer Price of our H Shares is substantially higher than the net tangible book value per Share immediately prior to the Global Offering. Thus, potential investors may experience an immediate dilution when they purchase our Offer Shares in the Global Offering. If we are to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they have paid for their Shares.

For purposes of, among others, business expansion our Company may proceed with in the future, we may need to raise additional funds through issuing securities or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders. Such new securities may also confer rights and privileges that take priority over those conferred by the Offer Shares.

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**The interests of our Controlling Shareholders may not always coincide with our interests and those of our other Shareholders.**

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will in aggregate hold approximately 34.1% of the issued share capital of our Company. Our Controlling Shareholders therefore may have significant influence over our Company, including matters relating to our management, decisions and policies regarding acquisitions, mergers, expansion plans, consolidation and sales of all or substantially all of our assets, election of our Directors and other significant corporate actions. The interests of our Controlling Shareholders may not align with those of our other Shareholders. We cannot rule out the possibility that our Controlling Shareholders may exercise their substantial influence over our Company and cause our Company to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of our other Shareholders.

**Future sales or market perception of sales of a substantial number of our H Shares on the public market could materially and adversely affect the trading price of our H Shares.**

After the completion of the Global Offering, future sales of a substantial number of our H Shares or other securities relating to our H Shares on the public market, the issuance of new Shares or other securities relating to our H Shares, or the market perception that such sales or issuances may occur, could adversely affect the market price of our H Shares and our ability to raise future capital at a favourable time and price.

The Shares owned by our Controlling Shareholders are subject to certain lock-up period and according to the PRC Company Law, all Shares issued prior to Listing are subject a lock-up period of one year commencing from the Listing Date. However, there is no assurance that following the expiry of such lock-up restrictions, the Controlling Shareholders and the Pre-IPO Investors will not convert their Unlisted Shares into H Shares and dispose of their H Shares. Any significant disposal of our H Shares by any of our Controlling Shareholders or the Pre-IPO Investors may adversely affect the prevailing market price of our H Shares. We cannot predict the effect of any future sales or market perception of sales of a substantial number of our H Shares on the public market on the market price of our H Shares.

**If securities or industry analysts do not publish research or reports or cease publishing research or reports about our business, or if they adversely change their recommendations or publish negative reports regarding our H Shares, the market price and the trading volume of our H Shares may decline.**

The trading market for our H Shares will be influenced by research and reports that securities or industry analysts publish in relation to our Company or our business. There is no assurance that such research and reports will cover us favourably or at all. If one or more analyst adversely changes their recommendations regarding our H Shares or publish negative

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## RISK FACTORS

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opinions on our Company, the market price of our H Shares may decline. If any analyst ceases coverage of our Company or fails to regularly publish reports on us, we may lose visibility in the financial markets, which, in turn, may cause the market price or the trading volume of our H Shares to decline.

**Prospective investors should not rely on any information contained in press articles or other media regarding our Company and the Global Offering.**

Prior to the publication of this prospectus, there may have been press articles and media coverage regarding our Company and the Global Offering, which may include certain financial information, financial projections and other information about us which do not appear in this prospectus. Therefore, we do not accept any responsibility for or guarantee or make any representation as to the appropriateness, accuracy, completeness or reliability of any such information. Prospective investors should not place reliance on any of such information in making their investment decisions in relation to our H Shares.

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

The declaration of dividends is proposed by our Board and subject to the applicable laws and regulations and our Shareholders' approval. Whether dividends will be distributed and the amount of any dividend to be declared and distributed in the future will be at the discretion of our Directors and will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and future prospects, and our constitutional documents and PRC laws and regulations.

### RISKS RELATING TO THIS PROSPECTUS

**Prospective investors should not unduly rely on facts, statistics and forecasts derived from official government publications contained in this prospectus.**

This prospectus contains certain facts, statistics and data that have been derived from official government sources and publications and other sources. Our Company believes the sources of these facts and statistics are reliable and appropriate, and has no reason to believe that such information is false or misleading or is rendered so by any omission of facts. Our Company has taken reasonable care in extracting and reproducing such statistics and facts. However, there is no guarantee as to the quality or reliability of such information. The statistics and facts from these sources have not been prepared nor have they been independently verified by our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Joint Global Coordinators, the Overall Coordinators, the Underwriters or any of their respective affiliates or advisers or any other party involved in the Global Offering (other than F&S in respect of the F&S Report) and therefore, our Company makes no representation as to the accuracy or completeness of such facts, statistics and data. Prospective investors should not place undue reliance on these facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics contained in this prospectus may not be accurate or

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## RISK FACTORS

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comparable to statistics produced in other publications or for other economies. There is no guarantee that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be elsewhere. In any event, prospective investors should consider carefully the importance placed on such information when making their investment decisions in relation to our H Shares.

**Forward-looking statements contained in this prospectus may not be accurate and hence prospective investors should not place undue reliance on such statements.**

This prospectus contains certain forward-looking statements relating to our Company that are based on the beliefs of our Directors as well as assumptions based on the information currently available to them. When used in this prospectus, the words “anticipate”, “believe”, “forecast”, “estimate”, “intend”, “plan”, “potential” and similar expressions, as they relate to our Directors, our Company or our Group, are intended to identify forward-looking statements. Such statements reflect the current views of our Directors regarding future events, operations, liquidity and capital resources. These statements are subject to certain known and unknown risks, uncertainties and assumptions, including the other risk factors as described in this prospectus, and may not materialise or may change. Prospective investors should not unduly rely on such forward-looking statements.



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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our headquarters, core business and operations are located, managed and conducted in the PRC, and our Group does not have any business activities or operations in Hong Kong. Our executive Directors and senior management are ordinarily based in the PRC and are expected to continue to be based in the PRC. All of our assets are based in the PRC. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for them to remain to be based in the PRC and physically close to our operations. Relocation of our executive Directors to Hong Kong will be unnecessarily burdensome and costly for our Company as it will require time to process the application for residency in Hong Kong and the application may not be approved by the Listing Date. In addition, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily residents in Hong Kong but may not be familiar with the operations of our Group for the sole purpose of satisfying the management presence requirements as such arrangements will potentially increase our administrative expenses and reduce the effectiveness and responsiveness of the Board in making decisions, especially when business decisions are required to be made on a timely basis. Our Company does not, and in the foreseeable future, will not, have sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules.

Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Stock Exchange and our Company:

- (a) We have appointed two authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange at all times. The two Authorised Representatives appointed are Mr. He, our executive Director and Ms. Cheung Lai Ha, our company secretary. Ms. Cheung Lai Ha is ordinarily resident in Hong Kong. Even though Mr. He resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to visit Hong Kong. Each of the Authorised Representatives will be available to meet with the relevant officers of the Stock Exchange in Hong Kong on reasonable notice and will be readily contactable by telephone, facsimile and email (if applicable). Each of the Authorised Representatives will be authorised to communicate on our behalf with the Stock Exchange.



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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (b) Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Ms. Cheung Lai Ha has also been authorised to accept service of legal process and notices in Hong Kong on our behalf.
- (c) Each of the Authorised Representatives has means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact our Directors with respect to any matters. To enhance communication among the Stock Exchange, the Authorised Representatives and our Directors, we have implemented the following measures: (i) each Director will have to provide his/her mobile phone number, office phone number, email address and facsimile number (if applicable) to the Authorised Representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will provide the phone number of the place of his or her accommodation or other contact details to the Authorised Representatives; and (iii) each of our Directors and Authorised Representatives will provide his/her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange.
- (d) Each of our Directors who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the relevant officers of the Stock Exchange within a reasonable period of time upon request from the Stock Exchange.
- (e) In compliance with Rules 3A.19 and 3A.23 of the Listing Rules, we have appointed CEB International as our compliance adviser (the “**Compliance Adviser**”), who will act as our additional channel of communication with the Stock Exchange for the period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will maintain constant contact with the Authorised Representatives, our Directors and senior management through various means, including regular meetings and telephone discussion whenever necessary. Our Authorised Representatives, our Directors and other officers of our Company will promptly provide such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules.
- (f) Any meetings between the Stock Exchange and our Directors could be arranged through the Authorised Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any changes in our Authorised Representatives and/or the Compliance Adviser.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

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

### **CSRC FILING**

The CSRC issued notice of filing on 1 June 2024 for the Global Offering and for the submission of the application to list our H Shares on the Stock Exchange. In granting its notice of filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 3,333,400 Offer Shares and the International Offering of initially 30,000,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in “Structure of the Global Offering” in this prospectus).

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter(s) under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriter(s) subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriter(s), the Capital Market Intermediaries, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation, please refer to “Structure of the Global Offering” in this prospectus.

### **PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES**

The procedures for applying for the Hong Kong Offer Shares is set out in “How to apply for Hong Kong Offer Shares” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES**

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

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC and the United States.

### **APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE**

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, 15 January 2025. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

### **H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

### **REGISTER OF MEMBERS AND STAMP DUTY**

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our registered office in the PRC.

Dealings in the H Shares registered in our H Share register of members in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares.

We, our Directors, the Sole Sponsor, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), the Capital Markets Intermediaries, any of their respective directors, agents or advisers or any other persons or parties involved in the Global Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, our H Shares.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the stabilisation and Over-allotment Option are set out in “Structure of the Global Offering” in this prospectus.

### DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to the Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders’ own risk, to the registered address of each Shareholder.

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

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

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive. For further details of principal legal and regulatory provisions, please refer to Appendix IV to this prospectus;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” in this prospectus.

### CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB have been translated, for illustrative purposes only, into HK\$ in this prospectus at the following rate:

RMB0.9244 : HK\$1

This translation is provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only and if there is any inconsistency, the Chinese name prevails.

### ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
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**Executive Directors**

Mr. Hu Dalin (胡大林)	601, Unit 10, 6/F Building 12, Longxingyuan Huilongguan, Changping District Beijing the PRC	Chinese
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Mr. He Feng (何豐)	No. 11, Door No. 1 4/F, Building Bing 41 Haidian Road Haidian District Beijing the PRC	Chinese
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Ms. Ma Lei (馬蕾)	Room 505, Building 8 Yang Chun Guang Hua Wanliu Haidian District Beijing the PRC	Chinese
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**Non-executive Directors**

Dr. Kan Zhigang (闕志剛)	Room 2103, Unit 2, 7/F No. 2 Xibahe East Lane Chaoyang District Beijing the PRC	Chinese
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Dr. Yao Xiang (姚翔)	Room 402, Unit 5, 4/F Building 1, Court 13 Qiufeng Road Haidian District Beijing the PRC	Chinese
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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Ms. Gong Xiao (鞏瀟)	Room 301, Unit 4 Building 5, Court 5 Jianbang Huating Kangze Road, Changyang Zhen Fangshan District Beijing the PRC	Chinese
<b>Independent non-executive Directors</b>		
Ms. Guo Lili (郭莉莉)	Room 803, Building 6, District 1 No. 86 Beiyuan Road Chaoyang District Beijing the PRC	Chinese
Mr. Huang Hua (黃華)	Room 1407, 9/F, Door 1 Liyun, Beijing Normal University Haidian District Beijing the PRC	Chinese
Mr. Wong Ho Kwan (黃浩鈞)	Flat G, 17/F, Block 2 Bay View Garden 2 Wing Ting Road Kowloon Hong Kong	Chinese (Hong Kong)



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

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**SUPERVISORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Dr. Cao Gang (曹崗)	Room 2201, Building 4 Taiyueyuan Haidian District Beijing the PRC	Chinese
Mr. Ni Jie (倪捷)	Room 304, Door 3, New Building 1 Fuxing Road No. A49 Haidian District Beijing the PRC	Chinese
Ms. Xue Na (薛娜)	Room 1408, 14/F, Building 1 Yang Chun Guang Hua Wanliu Haidian District Beijing the PRC	Chinese

Further information about our Directors, Supervisors and other senior management members are set out in “Directors, Supervisors and senior management” in this prospectus.

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

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**PARTIES INVOLVED IN THE GLOBAL OFFERING**

<b>Sole Sponsor and Sponsor- Overall Coordinator</b>	<b>CEB International Capital Corporation Limited</b> 34/F - 35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
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<b>Overall Coordinators</b>	<b>CEB International Capital Corporation Limited</b> 34/F - 35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
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**CLSA Limited**  
18/F, One Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

<b>Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Capital Market Intermediaries</b>	<b>CEB International Capital Corporation Limited</b> 34/F - 35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
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**CLSA Limited**  
18/F, One Pacific Place  
88 Queensway  
Admiralty  
Hong Kong

<b>Joint Bookrunners, Joint Lead Managers and Capital Market Intermediaries</b>	<b>China Galaxy International Securities (Hong Kong) Co., Limited</b> 20/F, Wing On Centre 111 Connaught Road Central Hong Kong
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**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

**ICBC International Securities Limited**

37/F, ICBC Tower  
3 Garden Road  
Hong Kong

**CCB International Capital Limited**

12/F CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

**BOCOM International Securities Limited**

9/F, Man Yee Building  
68 Des Voeux Road Central  
Central  
Hong Kong

**SPDB International Capital Limited**

33/F, SPD Bank Tower  
One Hennessy  
1 Hennessy Road  
Hong Kong

**Livermore Holdings Limited**

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

**China Sunrise Securities (International) Limited**

Unit 4502, 45/F, The Center  
99 Queen's Road Central  
Central  
Hong Kong

**Citrus Securities Limited**

Room 2201, 22/F, OfficePlus@Wan Chai  
303 Hennessy Road  
Wan Chai  
Hong Kong

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

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**Joint Lead Managers and Capital  
Market Intermediaries**

**Aristo Securities Limited**

Room B, 11/F, Golden Star Building  
22 Lockhart Road  
Wan Chai  
Hong Kong

**SilkyWater Asset Management Limited**

Room 3106, 31/F, Shun Tak Centre West Tower  
168-200 Connaught Road Central  
Shueng Wan  
Hong Kong

**SBI China Capital Financial Services Limited**

4/F, Henley Building  
No. 5 Queen's Road Central  
Central  
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong law:*

**MinterEllison LLP**

43/F, Hopewell Centre  
183 Queen's Road East  
Hong Kong

*As to PRC laws:*

**Zhong Lun Law Firm**

22-31/F  
South Tower of CP Center  
20 Jin He East Avenue  
Chaoyang District  
Beijing  
the PRC

*As to International Sanctions Laws:*

**King & Wood Mallesons**

20th Floor  
East Tower  
World Financial Center, No. 1 Dongsanhuan Zhonglu  
Chaoyang District  
Beijing  
the PRC

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

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**Legal advisers to the Sole  
Sponsor and the Underwriters**

*As to Hong Kong law:*

**Jingtian & Gongcheng LLP**

Suites 3203-3207, 32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*

**Jingtian & Gongcheng**

34th Floor, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing  
the PRC

**Reporting accountant and  
independent auditor**

**PricewaterhouseCoopers**

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

**Industry consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch  
Co.**

Room 2504  
Wheelock Square  
No. 1717 West Nanjing Road  
Shanghai  
the PRC

**Receiving bank**

**Bank of China (Hong Kong) Limited**

1 Garden Road  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Room 401, 4/F No. 66 Zizhuyuan Road Haidian District Beijing, the PRC
<b>Headquarters and principal place of business in the PRC</b>	Rooms 301, 304, 305, 306, 307 and 308 Zhongguancun International Innovation Building No. 67 North Fourth Ring West Road Haidian District Beijing, the PRC
<b>Principal place of business in Hong Kong</b>	46/F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
<b>Company's website</b>	<b><u>www.saimo.cloud</u></b> <i>(This website and the information contained in this website do not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Cheung Lai Ha (張麗霞) <i>(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> 46/F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
<b>Authorised representatives</b>	Mr. He Feng (何豐) 18-5, 1/F-3/F Building 18, Jinglinyuan Changping District Beijing the PRC  Ms. Cheung Lai Ha (張麗霞) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
<b>Audit committee</b>	Ms. Guo Lili (郭莉莉) ( <i>Chairlady</i> ) Mr. Huang Hua (黃華) Mr. Wong Ho Kwan (黃浩鈞)

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## CORPORATE INFORMATION

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**Remuneration committee**

Mr. Huang Hua (黃華) (*Chairman*)  
Mr. He Feng (何豐)  
Ms. Guo Lili (郭莉莉)

**Nomination committee**

Mr. Wong Ho Kwan (黃浩鈞) (*Chairman*)  
Mr. Hu Dalin (胡大林)  
Mr. Huang Hua (黃華)

**Strategy committee**

Mr. Hu Dalin (胡大林) (*Chairman*)  
Mr. He Feng (何豐)  
Ms. Ma Lei (馬蕾)

**Compliance Adviser**

CEB International Capital Corporation  
Limited  
34/F - 35/F, Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

**H Share Registrar**

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

**Principal bank**

Bank of Beijing Fuyu Branch  
1st & 2nd Floor  
Beijing Yongxing Garden Hotel  
101 Fucheng Road  
Haidian District, Beijing  
the PRC

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## INDUSTRY OVERVIEW

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*The information and statistics presented in this section, unless otherwise indicated, is derived from various official government publications and, other publications generally believed to be reliable, and from the market research report prepared by F&S, which we commissioned. Certain information and statistics set forth in this section have been extracted from the F&S Report. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information from official government sources set out in this section has not been independently verified by us, the Sole Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy.*

We have commissioned F&S, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the PRC ICV testing, validation and evaluation solutions industry. The report prepared by F&S for us is referred to in the prospectus as the F&S Report. We have agreed to pay a total fee of RMB1,100,000 to F&S for the preparation of the report, which our Directors believe reflects market rates for reports of this type. F&S is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

The F&S Report was undertaken through both primary and secondary research obtained from various sources using intelligent collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants across the industry value chain and conducting interviews with relevant parties to obtain objective and factual data and prospective predictions. Secondary research involved reviewing information, data and publications from publicly available sources, including official data and announcements from government authorities, and company reports, independent research reports and data based on F&S's own data base.

In compiling and preparing the F&S Report, F&S has adopted the following assumptions: (i) the social, economic and political environment in the globe is likely to remain stable in the forecast period; and (ii) industry key drivers are likely to drive the industry in the forecast period.

Our Directors have confirmed that, after taking reasonable care, F&S is an independent professional market research agency, and the sources of information used in this section, which are extracted from the F&S Report, are reliable and not misleading. There is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have impact on the information of this section.



## INDUSTRY OVERVIEW

### OVERVIEW OF THE PRC AUTOMOTIVE INDUSTRY

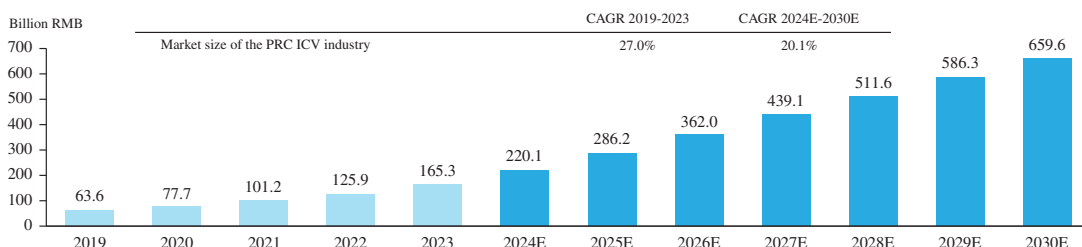
The automotive industry in the PRC has entered the mature period after decades of development. The automotive sales volume in the PRC reached approximately 30.1 million units in 2023, accounting for approximately 36.1% of the global sales volume, making it the largest automotive market in the world. Looking forward, driven by the electrification of vehicles and increase in consumer demand, the growth of the PRC's automotive industry is expected to maintain a steady upward trend. The automotive sales volume in the PRC is expected to reach approximately 35.7 million units in 2028, and China is expected to remain the world's largest automotive market with its market share reaching approximately 38.3% until 2028.

### OVERVIEW OF THE PRC ICV INDUSTRY

ICV refers to a new generation of vehicles that are equipped with advanced on-board sensors, controllers, actuators and other devices, and integrating advanced communication and network technologies to realise (i) the exchange and sharing of information between vehicles and different factors such as people, vehicles, roads and cloud (V2X); (ii) awareness of complex surroundings and intelligent decision making, collaborative control and other functions; (iii) “safe, efficient, comfortable, energy-saving” driving; and (iv) driving operation without human beings ultimately. Nowadays, ICVs and the intelligent driving technology are closely related. ICVs can be traditional internal combustion engine vehicles and new energy vehicles. In the PRC market, ICVs are generally equipped with ADAS (L1+L2) intelligent driving technology.

The PRC government has been actively promoting the development of ICV industry and regards it as an important means to solve the problems of traffic safety, road congestion, energy consumption and environmental pollution, so as to drive the technological change and accelerate the upgrading of the automotive industry. The market size of the PRC ICV industry grew from approximately RMB63.6 billion in 2019 to approximately RMB165.3 billion in 2023, illustrating a CAGR of approximately 27.0%, and is expected to increase to approximately RMB659.6 billion in 2030 at a CAGR of approximately 20.1% from 2024.

#### Market size of ICV industry by revenue (the PRC), 2019-2030E



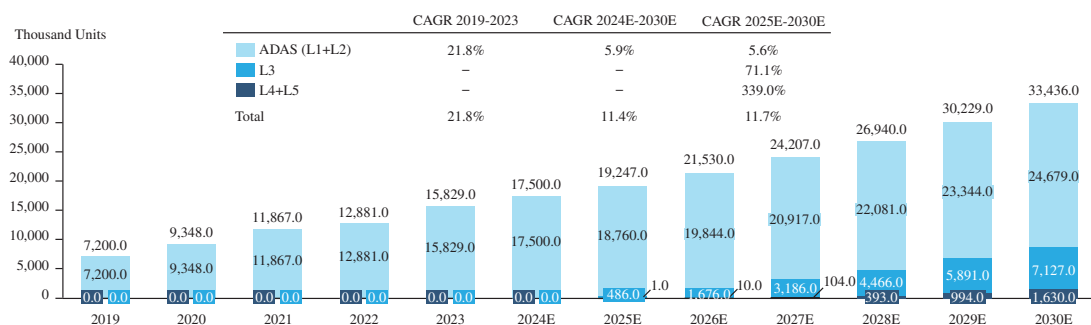
Source: F&S

Note: The market size of ICV industry refers to the market size in terms of ICV related solutions.

## INDUSTRY OVERVIEW

At present, the PRC intelligent driving technologies are still in the developing stage. Vehicles equipped with ADAS driving technology have realised commercialised massive production. ICVs equipped with L3 driving technology can be gradually operated on the road for demonstration in 2025. ICVs equipped with L4 and L5 autonomous driving technologies can only operate in the specific experimental or demonstration scenarios. The sales volume of ICVs equipped with only ADAS driving technologies in the PRC increased from approximately 7,200 thousand units in 2019 to approximately 15,829 thousand units in 2023 at a CAGR of approximately 21.8%, and is expected to increase from approximately 17,500 thousand units in 2024 to approximately 24,679 thousand units in 2030 at a CAGR of approximately 5.9%. With the improvement of the technology and the issuance of autonomous driving technology access policies, the vehicles at L3 are expected to be sold in the second half of 2025 and their sales volume in the PRC is expected to reach approximately 7,127 thousand units in 2030. The vehicles at L4 and above are expected to be sold before the end of 2025 in the PRC market and the sales volume of ICVs at L4 and above in the PRC is expected to increase to approximately 1,630 thousand units in 2030. The ICV industry is currently very fragmented in the PRC. Promoted by the increasing penetration of ADAS and higher levels of autonomous driving, it is expected that the number of players in the ICV industry will further expand as well.

**Market size of ICVs by sales volume by level of intelligent driving technology  
(the PRC), 2019-2030E**



Source: F&S

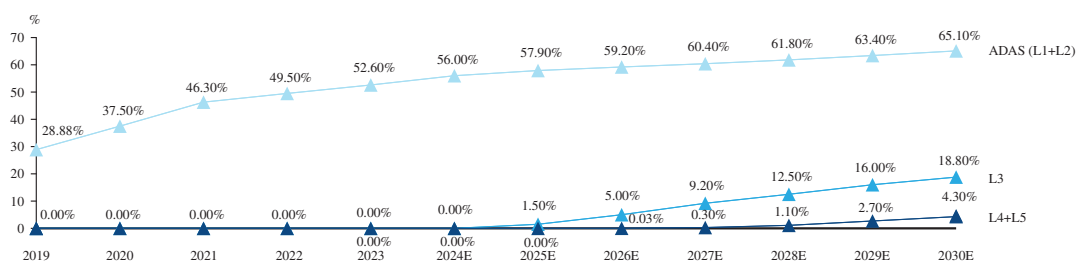
The PRC has formulated a series of policies and regulations to promote the development of ICV industry. Medium- to Long-Term Development Plan of Automotive Industry (汽車產業中長期發展規劃) promulgated by the PRC government points out that by 2025, the penetration rate of intelligent driving technology in the new models of ICV industry is expected to reach over 80% and more than 25% of the new issued ICVs are expected to carry driving technologies of L2 and L3. ICVs are expected to achieve wide-spread acceptance of consumers by multisensory in-vehicle human-machine interactions and out-vehicle connections empowered by advanced technologies, such as AI, connectivity, cloud-based data storage, intelligent driving, etc., which makes driving more convenient and comfortable for drivers. For example, features such as automated parking and lane departure warning systems can reduce the amount of effort required from the driver and make driving less stressful. With the continuous improvements of the technologies, vehicles are becoming intelligent terminals, which not only will change the behaviours and habits of human driving, but also promote the development and progress of the whole society in terms of traffic safety, transportation cost, vehicle efficiency, etc.

## INDUSTRY OVERVIEW

In addition, government regulations around the world are also pushing original equipment manufacturers (“OEMs”) to incorporate intelligent driving technology in their ICV models. For example, in the U.S., the National Highway Traffic Safety Administration (NHTSA) has made it mandatory for all new vehicles to have rear-view cameras from May 2018, and it is likely that other intelligent driving technologies will be required in the future. The MIIT issued the Guidelines for the Construction of the National ICV Industry Standard System (2022 Edition) (國家車聯網產業標準體系建設指南(智能網聯汽車)(2022年版)) in September 2022, proposing that by 2025, more than 100 relevant standards for ICVs should be formulated and revised. Compliance with these regulations can help improve public transportation safety. Last but not least, OEMs who are early adopters of intelligent driving technology can gain a competitive advantage over their competitors by offering cutting-edge features that appeal to consumers.

From 2024 to 2030, L1, L2 and L3 will still remain the mainstream of intelligent driving technologies in the PRC. The penetration rate of ADAS is expected to reach approximately 65.1% in 2030, whilst the penetration rate of autonomous driving (L3-L5) is expected to reach approximately 23.1% by 2030.

**Penetration rate by level of intelligent driving technology (the PRC),  
2019-2030E**



Source: F&S

## MARKET DRIVERS AND DEVELOPMENT TRENDS ANALYSIS OF ICV INDUSTRY

According to the F&S Report, the main market drivers and development trends of the PRC ICV industry include the followings:

- **Favourable policies**

Multiple stimulus policies and measures ensure the stable development of ICV industry in the PRC. The PRC government promulgated the Smart Vehicle Innovation and Development Strategy (智能汽車創新發展戰略), Autonomous Driving Classification (汽車駕駛自動化分級), Medium- to Long-Term Development Plan of Automotive Industry (汽車產業中長期發展規劃) and other policies and regulations to stimulate the industry. The guidance and policy support of the government, wide application of advanced technologies, development of cloud platforms and the construction of road infrastructure

all help to lay a healthy and mature foundation for the development of ICV industry. In the future, the PRC ICV industry will maintain a rapid development, and the intelligent technologies of vehicles will gradually penetrate from high-end vehicles models to low-end vehicle models.

- **Redefinition of the relationship between people and vehicles**

With the increasing demand of people for superior driving experience, vehicles are changing from traditional travel tools to mobile living space. Drivers and passengers can give instructions to the ICVs through voice, gesture and other ways. The ICVs also have intelligent perception functions, which can more accurately judge the user's intention. In addition, the integration of the ICV value chain will help to jointly collect and process a large amount of real-time traffic information and data through the combination of the internal and external information of the ICVs. In the future, the ultimate interactive development direction of ICVs should be vehicle to person active live interaction. The upgrading iteration of ICVs will lead the transformation and upgrading of the automotive industry and reshape the people's experience of automotive travel.

### OVERVIEW OF THE PRC ICV TESTING, VALIDATION AND EVALUATION SOLUTIONS INDUSTRY

Like traditional vehicles, ICVs also need adequate and comprehensive simulation and/or physical testing to ensure the safety and reliability, for commercialisation and mass production. The ICV testing, validation and evaluation solution is to test and evaluate the actions like sensing, making decisions, and executing the intelligent driving system's full-time continuous operation under different scenarios. It achieves a stable confidence level by testing and validating the intelligent driving system from multiple dimensions and angles, and judges the level of the equipped intelligent driving technology. ICV testing, validation and evaluation solutions target ICVs in both traditional internal combustion engine vehicle and new energy vehicle forms.

Simulation testing is one of the most important parts in the ICV testing, validation and evaluation solution, which can be used to test and verify the intelligent driving functions and safety level of ICV products (in particular for L3 and above autonomous driving products) through Model in Loop (MiL) tests, Software in Loop (SiL) tests, Hardware in Loop (HiL) tests, Vehicle in Loop (ViL) tests and Driver in Loop (DiL) tests, or collectively, X in Loop (XiL) tests, depending on the testing targets.

Functional Safety (FuSa) and the Safety of the Intended Functionality (SOTIF) are of great significance to the upgrading and development of ICVs. FuSa is mainly aimed at ICVs' electronics and design functions, so as to avoid dangerous situations when the normal functions of the ICVs fail. SOTIF is mainly aimed at the intelligent driving to avoid dangerous scenarios caused by misuse of the functions.

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## INDUSTRY OVERVIEW

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Compared with traditional internal combustion engine vehicles, the architecture of electric vehicles is more suitable for carrying more advanced intelligent driving technologies. At present, with the increasing awareness of consumers for the ICVs, the automotive manufacturers are focusing more on the high-level (L3 and above) intelligent connectivity and intelligent driving technologies to gain more competitive advantages, which stimulates the demand for the ICV testing, validation and evaluation solutions.

### **Value chain analysis**

The upstream of ICV testing, validation and evaluation solutions industry mainly includes operating system suppliers, communication service suppliers, software and hardware suppliers that provide fundamental support for the ICV testing, validation and evaluation. Their contribution lies in creating a robust foundation for the development of ICV testing, validation, and evaluation solutions, ensuring the availability of necessary infrastructure.

The midstream mainly comprise ICV testing, validation, and evaluation solutions providers, providing standard or customised solutions to downstream customers. The solutions encompass a range of offerings like ICV simulation testing software and platforms, ICV data platforms and other products, simulation testing services, road testing services (closed-course site tests and open-road tests) and others. Their contributions ensure the safety and reliability of ICVs and drive innovation and integration of intelligent driving technologies.

The downstream customers are from both public and private sectors. For private sector, automotive manufacturers and technology companies focusing on developing the high generation of automotives and technologies are willing to build their own ICV testing platforms and data platforms, extend their existing simulation technologies and embrace new technologies. By utilising the ICV testing, validation, and evaluation solutions, the ICV manufacturers contribute to the value chain by, on one hand, optimising the performance and technologies of ICV products, and on the other hand, providing valuable feedback on the software's applicability and effectiveness for enhancing the ICV testing, validation, and evaluation solutions to meet the evolving industry requirements. Technology companies play a dual role as end customers and intermediaries (such as solutions integrators). As end customers, they use ICV testing, validation and evaluation solutions for their own R&D so as to promote the technological development of ICV-related technologies industries. They also play a role as intermediaries through which the ICV testing, validation and evaluation solutions will be ultimately used by ICV manufacturers to improve their ICV products. For example, they may act as solutions integrators by integrating the ICV testing, validation and evaluation solutions with other technical solutions to be sold to end customers, such as ICV manufacturers. This collaborative approach fosters a mutually beneficial relationship, advancing the capabilities and adoption of simulation testing software in the ICV technology landscape. Public sector customers include SOEs, local governments, universities, automotive research institutions and other government authorities, who purchase the solutions ultimately for the government's administrative and public usage purposes. The public sector customers contribute to government initiatives, public safety and regulatory compliance in ICV industry.

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### *Comparison between different ICV testing methods*

Testing Method	Competitive advantages
Simulation testing	<ul style="list-style-type: none"><li>(i) Creating a virtual environment to test the algorithms and their related key components of the intelligent driving systems of ICVs in various scenarios including extreme and dangerous scenarios in a safe manner without risks of physical harm or damage.</li><li>(ii) Enabling repeated testing in specific scenarios in an extremely short time.</li><li>(iii) Achieving testing in a large volume of scenarios concurrently, allowing for extensive testing in a shorter timeframe as compared to road testing.</li></ul>
Road testing	<ul style="list-style-type: none"><li>(i) Providing real-world road environments and traffic conditions to test ICVs and validate the simulation testing results.</li><li>(ii) Enabling the validation of critical connectivity feature of ICVs, such as vehicle to vehicle and vehicle-to-infrastructure communication so as to enhance the overall safety and optimise traffic flows in cities.</li><li>(iii) Enabling the collection of valuable data of behaviours of ICVs and their performance metrics, which may not be fully captured in simulation testing environment.</li></ul>

### **MARKET SIZE OF THE PRC ICV TESTING, VALIDATION AND EVALUATION SOLUTIONS INDUSTRY**

Driven by the continuous development of autonomous driving technologies as well as the increasing penetration rate of ICVs in the PRC, the market size by revenue of ICV testing, validation and evaluation solutions industry has experienced steady growth, increasing from approximately RMB1.2 billion in 2019 to approximately RMB3.3 billion in 2023, representing a CAGR of approximately 27.8%. In 2023, there were approximately 300 to 400 ICV manufacturers in China, of which less than 50 were engaged in the development of autonomous driving solutions at L3 or above. The potential direct downstream customers of ICV testing, validation and evaluation solutions providers include not only ICV manufacturers but also other market participants in the ICV industry, such as technology companies, which primarily include intelligent driving technology companies that focus on developing ICV-related software and hardware and providing innovative solutions in relation to various aspects of ICVs. Apart from these intelligent driving technology companies, potential technology company customers may also include other types of technology companies specialising in technological solutions which can also be widely applied in the ICV and related industries. By 2023, there were approximately 500 to 600 intelligent driving technology companies in the PRC. There is no overlapping between the aforesaid 300 to 400 ICV manufacturers and 500 to 600 technology companies. It is estimated that there will be approximately 800 to 1,200 ICV



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## INDUSTRY OVERVIEW

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manufacturers in China engaging in the development of intelligent driving solutions at L3 or above, along with 2,500 to 3,500 technology companies focusing on the development of ICV-related software and hardware by 2030.

Going forward, the PRC intelligent driving technology will continue to be upgraded, and the demand for testing, validation and evaluation of ICVs is expected to increase. With the acceleration of the commercialisation of L3 and above autonomous driving technology, the testing, validation and evaluation solutions market of ICVs has a good market prospect. In addition, the central and local governments will continue to promote the building of ICV test demonstration zones and the formulation of industry laws and regulations, to ensure product quality, vehicle safety and data security of the ICV industry. It is expected that the market size by revenue of ICV testing, validation and evaluation solutions industry in the PRC will continue to increase from 2024 to 2030 because of (i) the increasing sales volume of ICVs at L3 and above and rising penetration rate of intelligent driving technologies; and (ii) continuous R&D investments by increasing downstream customers.

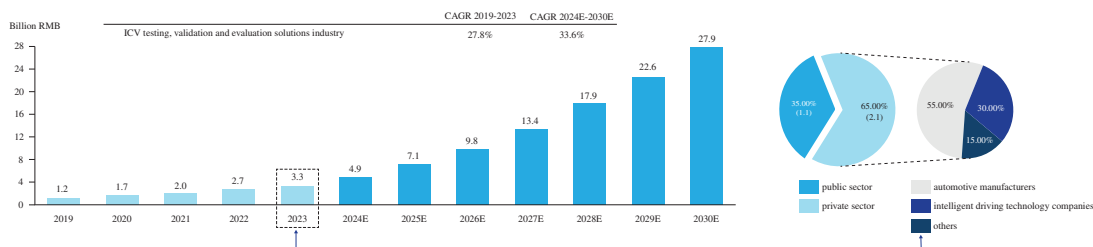
The rapid growth of the ICV testing, validation and evaluation solutions industry in the PRC is mainly due to the following factors:

- **The growth of the ICV industry.** The ICV industry has been growing steadily in recent years. The market size of the PRC ICV industry grew from approximately 7,200 thousand units in 2019 to approximately 15,829.0 thousand units in 2023, illustrating a CAGR of approximately 21.8%. Due to advancements in AI, 5G, and intelligent driving technologies, coupled with strong government support and growing consumer demand for safer, more efficient transportation solutions, the market size of the PRC ICV industry is expected to reach approximately 33,436.0 thousand units in 2030 at a CAGR of approximately 11.4% from 2024. This has led to an increase in the demand for ICV testing, validation, and evaluation solutions to ensure the traffic safety and reliability of ICVs.
- **The need for compliance with regulations.** The PRC government authorities and regulatory institutions have been imposing regulations on the automotive and ICV industries, including requirements for the testing, validation, and evaluation of ICVs. For example, in 2023, the MIIT, together with the MPS, the MHURD and the MOT, issued the Pilot Notice, which laid solid foundation for the rapid and continuous development of the ICV testing, validation and evaluation solutions industry in the PRC. In 2024, three mandatory national standards for ICVs were released, including the “Automotive Information Security Technical Requirements,” “General Technical Requirements for Automotive Software Upgrades,” and the “Autonomous Driving Data Recording System for Intelligent Connected Vehicles.” These standards will come into effect on January 1, 2026, raising detailed and higher regulatory requirements for the development of PRC automotive and ICV industries.
- **The advancement of technology.** ICVs are becoming more complex, with advanced technologies and functions, such as autonomous driving, ADAS, and connectivity. Continuous improvements in AI, sensor technologies, and real-time data processing capabilities are further enhancing the performance and safety of ICVs. Innovations in cloud computing and 5G connectivity are enabling faster data transmission and more efficient vehicle-to-everything (V2X) communication, further advancing the development of ICVs. These all have led to an increase in the demand for solutions

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that can test, validate, and evaluate these features. In addition, the diverse demands of downstream automotive manufacturers have led to a trend in the ICV testing, validation, and evaluation solutions industry towards highly customisable applications and solutions.

### Market size of ICV testing, validation and evaluation solutions industry by revenue by sectors and types of customers (the PRC), 2019-2030E

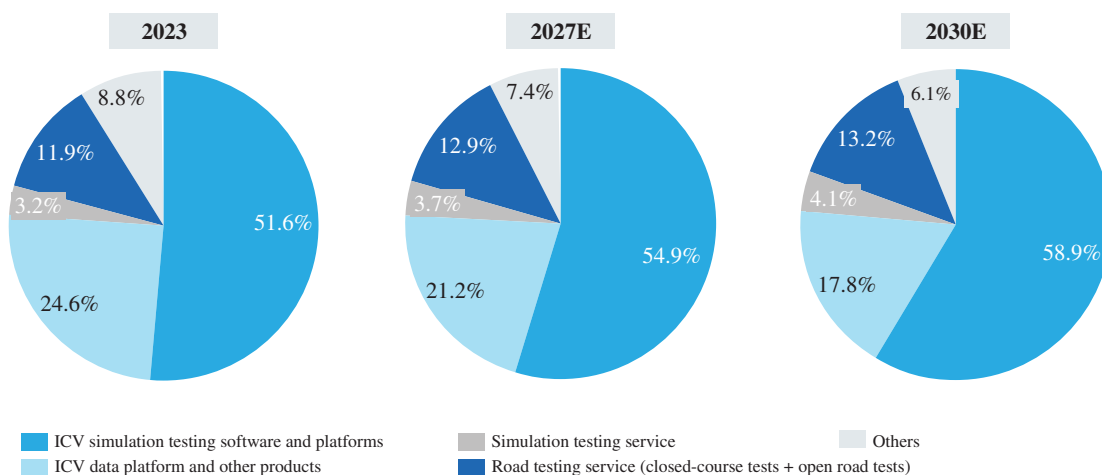


Source: F&S

Note: “Others” primarily include transportation and fleet operators, logistics companies, game companies, marketing companies etc.

According to the type of product and service, the ICV testing, validation and evaluation solutions can be divided into the following categories: ICV simulation testing software and platforms, ICV data platforms and other products, simulation testing services, road testing services (closed-course site tests and open-road tests) and others, among which the prices vary widely. Besides, the local government, automotive manufacturers and other testing, validation and evaluation agents would also be willing to build their own simulation testing capability and purchase the related systems. It is expected that the market size of ICV simulation testing software and platforms as a proportion of the total market size will continue to be over 50% from 2023 and further increase to nearly 60% in 2030.

### Market size of ICV testing, validation and evaluation solutions industry by sectors (the PRC), 2023, 2027E, 2030E



Source: F&S

Note: “Others” mainly include advisory services, etc.



### MARKET DRIVERS AND DEVELOPMENT TRENDS ANALYSIS OF THE PRC ICV TESTING, VALIDATION AND EVALUATION SOLUTIONS INDUSTRY

#### Key market drivers and trends

The key drivers and trends of the PRC ICV testing, validation and evaluation solutions industry include the followings:

- *Accelerated development of ICV industry*

With the growing acceptance of the concept of “software defined vehicle”, the leading technology companies, intelligent driving software companies and automotive manufacturers in the PRC have continuously dedicate a large amount of investment to R&D of advanced intelligent driving technologies and ICVs to gain more market shares. At the same time, the PRC government is actively promoting the development of ICV industry. In November 2022, the MIIT, together with the MPS, the MHURD and the MOT, issued the Pilot Notice, aiming to improve the performance and safety of ICVs and promote the healthy and standard development of the ICV industry. With the continuous development of intelligent and automation technologies, vehicles are becoming intelligent terminals. At present, the ICVs equipped with intelligent driving technologies have gradually entered the stage of commercial operation in the PRC, which will bring huge growth potential for the ICV testing, validation and evaluation solutions industry. At the same time, relevant central and local competent authorities have successively issued road test management specifications and implementation rules to create a good environment in terms of project support, construction and application of test demonstration areas. By the end of 2021, the PRC government had awarded a total of 20 ICV test demonstration areas, which are located in the provinces and municipalities of Jilin, Beijing, Tianjin, Jiangsu, Shanghai, Zhejiang, Hunan, Guangdong, Hubei, Chongqing, Sichuan, and Shaanxi. Driven by the government’s active deployment of ICV test demonstration areas, the demand for the ICV testing, validation and evaluation solutions of the automotive manufacturers, technology companies, public institutions, governments, universities, etc. will keep increasing. Some local governments provide subsidies to ICV market participants for operations and R&D, including Beijing, Guangzhou, Shenzhen, Chongqing, Wuhan, Suzhou, etc., which accelerates the development of the ICV industry. As the number of ICV manufacturers keeps increasing, the demand for testing, validation and evaluation solutions after mass production is considerable.

- *Strengthening and standardisation of the new and evolving market regulation*

ICV testing, validation and evaluation are key to the widespread deployment and commercialisation of ICVs as they are the core foundation to the regulation of ICVs’ product quality and the administration of data security in the ICV industry. The “multi-pillar method” consisting of simulation tests, closed-course site tests, and open-road tests issued by the United Nations in 2019 has been widely recognised in the world. The European Union, the U.S., the PRC, and Japan have clearly stated that the “multi-pillar approach” is an important method for ICV testing, validation and evaluation and serves as a guidance document.

The ICV testing, validation and evaluation technologies are urgently needed strategic technologies in the PRC, given their importance in ensuring the safe operation and commercialisation of ICVs. The PRC government has in recent years published a number of policies and regulations which set the ICV-related technical standards and emphasised the need to develop ICV testing, validation and evaluation technologies, including (i) the Smart Vehicle Innovation and Development Strategy (智能汽車創新發展戰略) issued by 11 ministries of the PRC national government in 2020; (ii) the New Energy Automotive Industry Development Plan (2021 to 2035) (新能源汽車產業發展規劃 (2021-2035年)) issued by the State Council in 2020, and (iii) the MIIT Opinions issued by the MIIT in 2021. These policies and regulations are relatively new and may be constantly optimised but they have laid solid foundation for the rapid and continuous development of the ICV testing, validation and evaluation solutions industry in the PRC. Some local governments also published a series of policies and incentives to help the development of the market. For instance, according to Article 4 of the Fifteen Initiatives to Support the Innovation-led Development of the ICV Industry in Zhongguancun Science City\* (關於支持中關村科學城智能網聯汽車產業創新引領發展的十五條措施) issued by the People's Government of Haidian District, Beijing\* (北京海淀區人民政府) on 5 June 2019, the local government in Beijing encourages leading ICV-related enterprises to set up headquarters or R&D centres in Haidian District and provides support to these enterprises on a “case-by-case basis”. For leading and unicorn enterprises, the government will provide all-round policy support in terms of talents, funds, and other aspects. Looking forward, with the continuous improvement of the intelligent driving technology and the issue of the national unified access standards, there will be more mass-produced intelligent connectivity software/systems that need to undergo the ICV simulation and road tests to enter the market, which will stimulate the expansion of the industry.

- ***Demand for sophisticated data platform***

The establishment of data platform and the application in the field of ICV is of great significance to promote industry development and innovation. The foundation of an ICV testing, validation and evaluation solution is data collection and sharing. On the government side, the establishment of the data platform can make scattered and isolated vehicle data into a collection of comprehensive data systems, and help the government carry out effective market management. On the ICV manufacturer side, the data platform can help to promote the integration of technology, business and data, break through the information barriers between different internal departments to better understand the market changes and launch updated ICV models. In November 2020, the State Council of the PRC issued New Energy Automotive Industry Development Plan (2021-2035) (新能源汽車產業發展規劃 (2021-2035年)), which put forward the national plan for the automotive industry and related industries to build a cross-region and cross-industry data platform. The data platform is conducive to enhance the capabilities of data collection and sharing and promote ICV industry development and innovation.

- ***Increasing competitiveness of domestic market players***

With the rise of domestic alternatives in the ICV testing, validation, and evaluation solutions market, an increasing number of automotive manufacturers in the PRC are showing a preference for domestic suppliers. These suppliers offer ICV testing-related products and services that are comparable to those provided by international market players in terms of technological capabilities, product quality, reliability, customisation to local needs, cost-effectiveness, and compliance with local industry standards. The concerns regarding user-friendliness and data security of foreign ICV simulation testing software as well as the uncertainties in foreign partnerships due to political relations also drive the increasing competitiveness of the domestic market players.

- ***Closer cooperation of the industry participants***

The ICV testing, validation and evaluation solutions providers will further cooperate closely with the upstream and downstream participants of the industrial chain, strengthen independent R&D, and accelerate the speed of upgrading of the ICV industry, and gradually build a comprehensive service closed loop of the whole process of ICV testing, validation and evaluation. It is beneficial to reduce the test cost and test difficulty of enterprises, and improve the test efficiency to serve more customers with test needs. Leading automotive manufacturers and technology companies have started to cooperate with third party ICV testing, validation and evaluation solutions providers to evaluate their new generation of V2X, intelligent driving technology, etc. In addition, governments, universities, scientific research institutions, and vehicle business service providers also actively cooperate with ICV testing, validation and evaluation solutions providers to ensure the consistency with the latest standards of the industry, aiming to enhance the performance and reliability of the latest ICVs.

- ***Increasing demand for cloud-based solutions***

At present, the demand for cloud-based ICV testing, validation and evaluation solutions is increasing. With cloud-based ICV testing, validation and evaluation solutions, downstream customers are capable of resolving the limitations of non-cloud-based simulation testing solutions in their lower speed and efficiency of testing and validating intelligent driving solutions by performing massive simulation tests concurrently in a faster manner and larger scale through parallel and accelerated computing. In addition, cloud-based solutions can effectively reduce labour costs and the purchase and maintenance costs of relevant hardware, which would further stimulate the demand of the ICV market participants for cloud-based ICV testing, validation and evaluation solutions.

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- ***Increasing demand for highly customisable applications and solutions***

At present, downstream automotive manufacturers tend to design and develop intelligent driving systems that align with their brand positioning, vehicle model development strategies, and driving environments of their target sales markets. These factors vary significantly among different manufacturers. Additionally, the developed intelligent driving systems need to be adapted to other related vehicle systems, which also differ among different vehicle models and manufacturers. Thus, the diverse demands of downstream automotive manufacturers have led to a trend in the ICV testing, validation, and evaluation solutions industry towards highly customisable applications and solutions.

### ENTRY BARRIER

The entry barriers of the PRC ICV testing, validation and evaluation solutions industry include the following:

- **Customer relationship**

The customers of ICV testing, validation and evaluation solutions providers usually have stringent criteria and lengthy process to select partners, which makes it harder for new entrants to enter into the market. For the sake of time cost and opportunity cost, once the ICV testing, validation and evaluation solutions providers enter the recognised list of downstream customers, the cooperation relationship will generally maintain for a long time. Some downstream customers will require ICV testing, validation and evaluation solutions providers to have multiple large-scale project experience, which makes it difficult for new entrants to become their suppliers. Therefore, for enterprises newly entering the industry, obtaining stable customer relationship is a key barrier.

- **Talent resources**

The high-calibre talents with extensive industry knowledge and rich experience play an important role in the successful operation of the ICV testing, validation and evaluation solutions industry. The talents not only help the company to handle the daily business operations, but also offer customised services and distinctive support to the customers. Moreover, visionary management teams with rich experience are also critical for further improvement and expansion of the company. New entrants have a relatively limited reserve of high-quality professionals with extensive knowledge and experienced R&D capability, which will take a certain amount of time for training and learning.

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- **R&D investment**

Since the ICV testing, validation and evaluation solutions industry needs to validate and evaluate the safety of intelligent driving technologies and the actual effect of intelligent connectivity functions, which are all based on high-tech software, the industry has huge R&D investment barriers. New entrants without sufficient R&D investment are difficult to compete in this industry. With the rapid development of the market, market players without enough R&D reserves to cope with the changes in the market is difficult to expand their market share.

### COMPETITIVE LANDSCAPE

The PRC is one of the biggest automotive markets in the world. With the acceleration of the R&D process of ICVs and intelligent driving technology, the demand for ICV simulation and road tests is increasing. It is of great significance for the PRC-based market players to realise independent R&D in order to gain competitiveness in the global market. Resources such as customers, data, and road test sites are particularly important to market players.

The market size of the PRC ICV simulation testing software and platforms market reached approximately RMB1.7 billion in 2023. The top five players contributed to approximately 25.7% of the entire market in terms of revenue. Our Group ranked the first in the PRC ICV simulation testing software and platforms market with a revenue of approximately RMB100.5 million in 2023.

#### Top five companies in the PRC ICV simulation testing software and platforms market by revenue, 2023

Ranking	Company	Estimated revenue (RMB million)	Market share
1	Our Group	100.5	5.9%
2	Company A	95.0	5.6%
3	Company B	85.0	5.0%
4	Company C	80.0	4.7%
5	Company D	75.0	4.4%

Source: F&S

Company B, Company C and Company D do not provide ICV simulation testing platforms in the PRC whereas their ICV simulation testing products sold in China are typically specific software of the ICV simulation testing and related solutions rather than platform-based integrated solutions in China. These products generally have no or minimal level of

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## INDUSTRY OVERVIEW

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customisation. In addition, they generally do not support concurrent access by multiple or unlimited users and do not include adaptation, debugging and related customised maintenance services. They are therefore unable to meet the demand of the downstream customers for their own testing platforms.

These three companies do not offer ICV simulation testing platforms in China mainly due to the following reasons:

*High investment and operational costs* – Generally, building an ICV simulation testing platform requires high level of customisation (such as the development of customised modules and functions) and provision of adaptation and debugging services in a timely manner. In order to meet the customisation needs of customers, an ICV simulation testing platform provider must closely collaborate and maintain frequent communication with customers to understand their needs. They are also required to perform substantial add-on development works and further optimise the ICV simulation testing platforms based on the initial requests of and ongoing communication with the customers. In addition, customers generally require the assistance from ICV simulation testing platform providers to adapt and integrate the platform into customers' IT infrastructure, and provide debugging services to ensure compatibility of software and hardware. As such, it is essential for an ICV simulation testing platform provider operating in the PRC to establish a local R&D team with expertise in algorithm and coding, and a deep understanding of local market conditions and customer preference.

Apart from staff costs and other R&D expenditure, an ICV simulation testing platform provider would also need to invest in other aspects of their local operations, including but not limited to procurement, sales and marketing, customer retention and after-sales product maintenance. In comparison to the provision of ICV simulation testing software, which are ready-made and require no or minimal customisation, so local operations are at relatively small scale, the costs associated with offering ICV simulation testing platforms is significantly higher for our foreign competitors.

*New and evolving regulatory framework in the PRC* – ICV simulation testing software and platforms providers are required to have comprehensive knowledge of the local ICV-related laws, regulations, policies and standards (“**ICV-related Regulatory Requirements**”) to ensure that their products, particularly ICV simulation testing platforms can help customers comply with these requirements. However, the regulatory framework governing ICV and ICV testing, validation and evaluation solutions markets in the PRC is evolving. As such, foreign market players opt to offer their standardised ICV simulation testing software, allowing them to enter into the PRC market with limited investment costs. In contrast, given that our Group has been dedicated to conducting in-depth research on the ICV-related Regulatory Requirements in the PRC since 2018, this enables our Group to have comprehensive understanding in this regard and to update our ICV simulation testing software and platforms in response to the latest developments in the ICV-related Regulatory Requirements.

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In 2023, the total market size of the ICV testing, validation and evaluation solutions industry by revenue in the PRC was approximately RMB3.3 billion. Our Group recorded a total revenue in the ICV testing, validation and evaluation solutions of approximately RMB175.7 million, ranked the first with a market share of approximately 5.3%. The composition of the five largest market players in the PRC ICV testing, validation, and evaluation solutions market maintained relatively stable in 2022 and 2023.

### Top five companies in the PRC ICV testing, validation and evaluation solutions market by revenue, 2023

Ranking	Company	Estimated revenue (RMB million)	Market share
1	<b>Our Group</b>	175.7	5.3%
2	Company A	160.0	4.9%
3	Company B	140.0	4.3%
4	Company C	135.0	4.1%
5	Company D	125.0	3.8%

Source: F&S

Notes:

- (1) Established in 1984 and headquartered in Germany, Company A is a private company that mainly provides simulation solutions consisting of software as well as hardware components for simulation testing and R&D. It equips the automotive, truck and motorcycle industries, from OEMs to suppliers, with their solutions, and support customers all around the globe to advance innovations and digitalisation. Company A has obtained international certifications, including ISO 9001. Company A's main sales markets are Europe, Japan, South Korea, the U.S., and the PRC, etc.
- (2) Established in 1996 and headquartered in Germany, Company B is a private company that mainly provides simulation solutions for the automotive, railroad, aerospace, mining, and farming industries. The core product of Company B is simulation software toolkits designed for the creation, configuration, simulation, and evaluation of virtual environments, leading to solutions for driving in the scope of road and rail-based simulations. Company B has obtained international certifications, including ISO 9001. Company B's main sales markets are Europe, and the U.S., etc.
- (3) Established in 2013 and headquartered in the Netherlands, Company C is a private company that primarily provides simulation solutions for the ADAS and autonomous driving in automotive industry based on physical models and platforms. It offers tailor-made engineering solutions and state-of-the-art testing and certification facilities and services, supporting the development and application of various application functions such as cameras, radars, LiDAR, GPS, and vehicle communication. The core product of Company C is simulation software for virtual verification of autonomous driving solutions and advanced assistance system. Company C has obtained international certifications, including ISO 17025. Company C's main sales market is Europe.
- (4) Established in 1970 and headquartered in the U.S., Company D is a listed company that mainly provides simulation solutions for the aviation, automotive, defence, energy, healthcare, high tech, industrial equipment industries. Among them, aviation, defence and high-tech sectors account for its main sources of revenue. It develops and markets computer-aided engineering/multiphysics engineering simulation

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software for product design, testing and operation, mainly used to solve physical problems in various fields such as structure, fluid, electromagnetic field, acoustics, etc. Company D has obtained international certifications, including ISO 9001 and ISO 26262. Company D's main sales markets are the U.S., Germany and Japan, etc.

At present, the demand for ICV data platforms and other products in the ICV industry continues to increase. The ICV data platforms and other products market is relatively fragmented. The major service providers are the leading data and technology companies, for whom the automotive related ICV data platforms and other products business only accounts for a small proportion of their overall business. For customers in the public sector, due to data security and other reasons, the PRC-based market players have more competitiveness.



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## REGULATORY OVERVIEW

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The PRC regulations that have a significant impact on our business operations are set out below:

### REGULATIONS AND POLICIES ON AI TECHNOLOGIES, AUTONOMOUS DRIVING VEHICLES, AND ROAD TESTING OF ICV

#### Regulations and policies on AI technologies, autonomous driving vehicles

In accordance with the Notice of the State Council on Issuing the “Made in China (2025)” (國務院關於印發<中國製造2025>的通知) which was promulgated by the State Council on 8 May 2015 and came into effect on the same date, to fully implement the intention of the 18th National Congress of the Communist Party of China (the “CPC”) and the Second, Third and Fourth Plenary Sessions of the 18th Central Committee of the CPC, there are policies regarding adhering to the path of new industrialisation with Chinese characteristics, promoting the integration and development of IT and manufacturing technology of the new generation, and treating intelligent manufacturing as the main direction to achieve the comprehensive integration of informationisation and industrialisation. Efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production process, cultivate new production methods, and comprehensively enhance the intelligence level of research, development, production, management and service of enterprises. The Outline of the 14th Five-Year Plan for National Economic and Social Development and Outlines of Objectives in Perspective of the Year 2035 of the PRC (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), which was promulgated and implemented on 12 March 2021, points out the focus on the key areas including high-end chips, operating systems, key AI algorithms, sensors, etc., and the acceleration of breakthroughs in R&D of basic theories, basic algorithms, and equipment materials.

Internet of Vehicles (ICVs) Industry Development Action Plan (車聯網(智能網聯汽車)產業發展行動計劃) promulgated in December 2018 by the MIIT states that a comprehensive application system of Internet of Vehicles (or ICVs) shall be established to achieve the penetration rate of ICV users of more than 30%, loading rate of new vehicle driver assistance systems of more than 30%, and assembly rate of new vehicles for ICV information service terminal products of more than 60%.

On 10 February 2020, 11 central governmental departments of the PRC jointly issued the Strategy for Innovation and Development of Intelligent Vehicles (智能汽車創新發展戰略) (the “Strategy”). The Strategy sets out a blueprint of how the PRC government will boost the development of autonomous vehicles over the next 30 years. The Strategy clearly specifies that intelligent vehicles are the future of the global automotive industry and that China is no exception. The Strategy provides a more realistic vision that by 2025 a comprehensive system comprising of technological innovation, industrial ecosystem, infrastructure, regulations and standards, product regulation and cyber security system will be basically established – all aiming at providing an ecosystem for intelligent vehicles to develop in China. In addition, the Strategy proposes to establish a national Intelligent Vehicle big data cloud control basic platform. We should make full use of existing facilities and data resources to establish an

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## REGULATORY OVERVIEW

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Intelligent Vehicle big data cloud control basic platform. Focus on the development and construction of logically collaborative and physically dispersed cloud computing centers, basic data centers with unified standards, opening and sharing, and risk controllable, safe and reliable cloud control basic software, and gradually achieve the integrated application of basic data for vehicles, infrastructure, traffic environment and other fields.

Guiding Opinions of the Ministry of Transport on Promoting the Development and Application of Road Traffic Autonomous Driving Technology (交通運輸部關於促進道路交通自動駕駛技術發展和應用的指導意見) issued by the Ministry of Transport of the PRC (中華人民共和國交通運輸部) (the “**MOT**”) on 20 December 2020 with effect from the same date, proposed that by 2025, the research on the basic theories of autonomous driving shall have made great progress, and the key technologies such as road infrastructure intelligent construction and vehicle-road interaction, product development, as well as testing verification shall have made major breakthroughs; a batch of basic and key standards concerning autonomous driving shall have been issued; a batch of national testing sites and application demonstration projects of autonomous driving shall have been established; the large-scale application of autonomous driving technologies shall have been realised in certain scenarios; and the industrialisation of autonomous driving technologies shall have been implemented.

The Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and the MIIT jointly issued the Notice on Determining the First Batch of Pilot Cities for Coordinated Development of Smart City Infrastructure and ICVs (關於確定智慧城市基礎設施與智能網聯汽車協同發展第一批試點城市的通知) and the Notice on Determining the Second Batch of Pilot Cities for Coordinated Development of Smart City Infrastructure and ICVs (關於確定智慧城市基礎設施與智能網聯汽車協同發展第二批試點城市的通知) on 28 April 2021 and 1 December 2021, respectively, which determine six cities as the first batch of pilot cities, namely Beijing, Shanghai, Guangzhou, Wuhan, Changsha and Wuxi, and 10 cities as the second batch of pilot cities, namely Chongqing, Shenzhen, Xiamen, Nanjing, Jinan, Chengdu, Hefei, Cangzhou, Wuhu, and Zibo, for coordinated development of smart city infrastructure and ICVs.

The MIIT released the MIIT Opinions on 30 July 2021 with effect from the same date. It requires the strengthening of management of automotive data security, network safety, software upgrade, functional safety and expected functional safety, so as to ensure product quality and production consistency, promote the high-quality development of the industry of ICVs, while encouraging third-party service providers to develop their capabilities of testing, validation and inspection, and continuously improving the relevant technologies and network and data security of ICVs. In addition, relevant manufacturers of ICV shall strengthen their ability to manage the safety of the products and ensure that the vehicles meet the process guarantee requirements of functional safety, expected functional safety and network safety, etc., as well as the testing requirements of simulation, closed site, actual road, cyber security, software upgrade and data recording, so as to avoid the foreseeable and preventable safety accidents of vehicles in the designed operating conditions. Currently, the applicable Chinese Standard for FuSa is GB/T 34590.

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The New Energy Automotive Industry Development Plan (2021-2035)\* (新能源汽車產業發展規劃(2021-2035年)) issued by the General Office of the State Council on 20 October 2020 proposed to establish a virtual simulation testing and validation platform for the electrification, internet-connectivity and intelligent operation of automotives by applying such technologies as virtual reality, big data, AI, so as to improve the capabilities of metrological testing, performance evaluation and testing and certification for whole vehicles and key components, promote the in-depth application of intelligent technologies in key aspects such as R&D and design, manufacturing, warehousing and logistics, operation management and after-sales service of new energy vehicles, accelerate the development and integration of core industrial software for the simulation, management and control of intelligent manufacturing of new energy vehicles, carry out application demonstrations of smart factories and digital workshops, accelerate the promotion and application of the product life cycle collaborative management system, support the construction of a demonstration platform integrating design, manufacturing and service, and improve the level of intelligent operation of the entire industry chain of new energy vehicles.

On 20 August 2021, the Taxonomy of Driving Automation for Motor Vehicles (汽車駕駛自動化分級) published by the SAMR and Standardization Administration of China (國家標準化管理委員會) (the “SAC”), which is a recommended national standard, came into effect on 1 March 2022. It provides six levels from 0 to 5 for the taxonomy of driving automation, which level 5 refers to full driving automation.

Guidelines on the Development of Network Security and Data Security Standards System for Internet of Vehicle (車聯網網絡安全和數據安全標準體系建設指南) promulgated by the General Office of the MIIT on 25 February 2022, proposed that by the end of 2023, a system of network security and data security standards for ICV shall be preliminarily established. The guidelines mainly focus on studying standards for basic commonality, terminal and facility network security, network-associated communication security, data security, application service security, and safety assurance and support, and completing the research on more than 50 standards that are urgently needed. By 2025, a relatively sound network security and data security standard system for ICV shall be established. The R&D of more than 100 standards will be completed, the coverage of standards in subdivided fields will be improved, the standard service capabilities will be enhanced, and the standard application level will be raised, to support the safe and healthy development of the ICV industry. The framework of standards can be divided into six parts, namely general and basic commonality, terminal and facility network security, network-associated communication security, data security, application service security, and safety assurance and support. The general and basic commonality standards are the general, commonality and guiding standards for the network security and data security of ICV, including three types of standards, such as terms and definitions, general framework, and password application. The network security standards for terminals and facilities mainly regulate the network security requirements relating to terminals and infrastructure of ICV, including four types of standards, such as the network security of vehicle-carried equipment, vehicle-end network security, network security of roadside communication equipment, and network facility and system security. The communication security standards for network-associated communication mainly regulate the security

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requirements relating to the network security of the communication of ICV, identity authentication and relevant requirements, including two types of standards, such as communication security and identity authentication. The data security standards mainly regulate the requirements for data security and personal information protection of ICV, ICV platforms, and vehicle-carried application services, including five types of standards, such as general requirements, classification and grading, cross-border transfer security, personal information protection, and application data security. The application service security standards mainly regulate the security requirements for ICV service platforms and applications, as well as the security requirements in typical business application service scenarios, including three types of standards, such as platform security, application security and service security. The safety assurance and support standards mainly regulate the safety requirements relating to the management of and support for the network security of ICV, including three types of standards, such as risk assessment, safety monitoring, emergency response management, and safety capability assessment.

Guidelines for Developing National Internet of Vehicles Industry Standard System (ICVs) (國家車聯網產業標準體系建設指南(智能網聯汽車)) (the “**Construction Guide**”) was promulgated by the MIIT and the SAC on 27 December 2017, which provides systematic planning on and deployment over the ICV standard system in the PRC. The Construction Guide proposed to establish a sound ICV standard system that can support high-level automatic driving. According to the technical logic structure and physical product structure construction method, combined with different functional requirements, product and technology types and information flow between subsystems, ICV standard system framework is defined as four parts, i.e., “Basic”, “General specification”, “Product and technology application” and “Related standards”. According to the similarities and differences of specific standards in terms of range and technical level, these four parts are further divided to form 14 completely-described, reasonably-structured and well-defined subclasses. So far, the Phase I target task for the construction of the ICV standard system has been completed.

In order to meet the emerging needs which arises after the national ICV development enters into a new phase and to take initiatives to implement the requirements set out in the Outlines of National Standardised Development (國家標準化發展綱要), the MIIT and the SAC jointly issued the amended Guidelines for the Construction of the National ICV Industry Standard System (2023 Edition) (國家車聯網產業標準體系建設指南(智能網聯汽車)(2023年版)), which sets out the requirements for the establishment of an ICV standard system that fits the domestic situations and also matches the internationally prevailing standards, according to the existing status of the ICV technology, the need of the industry and the development trend in the future and on a phase-by-phase basis. In particular, there are: Phase I, in which it requires that, by 2025, an ICV standard system shall be systematically formed that will be able to underpin both combined driver assistance and general autonomous driving functions, and under which more than 100 ICV-related standards, covering combined driver assistance, autonomous driving backbone systems, Internet-connecting basic functions and operating systems, high-performance computing chips and data applications and other aspects, shall be developed and amended, with safety standards in relation to functional safety, expected functional safety, cybersecurity and data safety, etc. being included consistently, to meet the needs from the ICV

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technology, industry development and government management for standardization; and Phase II, in which it requires that, by 2030, an ICV standard system shall be thoroughly formed that will be able to underpin the realisation of a synergistic development through vehicle intelligence and Internet empowerment, and under which more than 140 ICV-related standards shall be developed and amended and a performance assessment and dynamic improvement machinery shall be established and implemented, to meet the omni-scenario application needs from combined driver assistance, autonomous driving and internet-connecting functions, to establish and improve a safety security system and a software and hardware and data resources supporting system, and to reach advanced levels in terms of coordination with international standardised regulations in the key fields including autonomous driving.

Most of the under-development standards are recommended in nature, except for the following five mandatory standards: (i) the technical requirements for vehicle information security under the cybersecurity category; (ii) the general technical requirements for vehicle software update under the cybersecurity category; (iii) the vehicle event data recording system under the sensor fusion category; (iv) the autonomous driving data recording system for ICVs under the backbone system category; and (v) the on-board accident emergency call system under the functional regulation category.

The Pilot Notice was promulgated by the MIIT, the MPS, the MHURD and the MOT on 17 November 2023. The Pilot Notice consists of the main content and two annexes. Pursuant to the Pilot Notice, the relevant governments will select ICV products equipped with autonomous driving functions that are eligible for mass production (the “**ICV products**”) to carry out pilot programme for market access; ICV products that have been approved for market access may be put into road trials in designated areas. For the purpose of the Pilot Notice, the autonomous driving functions equipped on ICV products refer to the Level-3 driving automation (conditionally automated driving) and Level-4 driving automation (highly automated driving) functions (collectively, the “**autonomous driving functions**”). The pilot implementation consists of three parts, the pilot programme for product access (including testing and safety assessment, licence for product access), the pilot programme for road testing, and emergency response. The annexes provide a guideline for implementation, including four sections on the access of ICV, the pilot user, road testing, the suspension and withdrawal of the pilot programme, and a template of application proposal for the pilot programme for the access and road testing of ICVs.

The detailed requirements on the ICV open-road tests as set out in the Pilot Notice are as follows:

- (i) In respect of enterprises manufacturing the pilot ICVs (i.e. ICVs that meet specified requirements under the Pilot Notice) (“**Pilot ICVs**”), they should (1) be a properly qualified manufacturer of road vehicles and be capable of designing and validating autonomous driving vehicles; (2) be capable of guaranteeing safety of the vehicles

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in respect of FuSa, SOTIF, cyber security, data security, software upgrade, and risks and emergency events; (3) be equipped with the enterprise-level ICV safety monitoring service platform and establish reporting mechanism; and (4) have a user reporting mechanism.

- (ii) In respect of the Pilot ICVs, they should meet (1) relevant market access requirements for road vehicles under the Measures on Managing the Market Access of Manufacturers and Products of Road Vehicles\* (道路機動車輛生產企業及產品准入管理辦法) and the Regulations on Managing the Market Access of Manufacturers and Products of New Energy Vehicles\* (新能源汽車生產企業及產品准入管理規定); (2) requirements of process assurance; and (3) testing requirements including, among others, open-road testing.

Specifically, open road testing (referred to as “actual road testing” in the Pilot Notice) shall be conducted in accordance with the following rules or meet the following requirements:

- (a) the open road testing shall be conducted after the Pilot ICVs have passed closed-course site testing;
  - (b) the open road testing shall be conducted in continuous scenarios (連續場景) and on the type of roads that corresponds to the declared operational design domain (設計運行範圍) (which refers to a set of external operating conditions for an autonomous driving system and these conditions typically include environmental, geographical and time of day constraints, traffic and roadway characteristics) of the autonomous driving systems;
  - (c) the testing process and testing data (including, as a minimum, versions of the software and hardware of the autonomous driving systems of the tested vehicles, control mode, driving conditions of the vehicles and conditions of the testing staff, vehicle-human interaction, and the testing mileage, etc) shall also be recorded; and
  - (d) the tested vehicles shall be monitored, in order to validate the ability of the declared autonomous driving functions to respond to real-world traffic conditions.
- (iii) In respect of the cities in which the Pilot ICVs operate, they should (1) have in place laws, regulations or policies, and coordinating mechanism, that support the pilot programme of ICV market entry; (2) be equipped with infrastructure (such as public roads, telecommunication infrastructure, etc.) necessary for the pilot programme and the transportation facilities and roads open for access by Pilot ICVs should meet relevant requirements under applicable national laws, regulation and technical



standards; and (3) have a sound basis for ICV road testing, and have the province- or city-level ICV safety monitoring platform, as well as the safety management capabilities such as emergency management capabilities.

- (iv) In respect of users of Pilot ICVs, they should have the ability to guarantee operation safety, assume liability, guarantee network security and data security, guarantee management security; and should, on the premise of ensuring road traffic safety, purchase compulsory motor vehicle traffic accident liability insurance for vehicles to travel on the road, with each vehicle insured for not less than RMB five million in traffic accident liability.

### **Regulations and policies on road testing of ICV**

#### ***Regulations and policies on road testing of ICV at the national level***

The MIIT, the MPS and the MOT issued the Administrative Norms for Road Testing and Demonstrative Application of ICVs (Trial Implementation) (智能網聯汽車道路測試與示範應用管理規範(試行)) (the “**Administrative Norm**”) on 27 July 2021, which became effective from 1 September 2021. The Administrative Norm is the primary national level regulatory document on road testing of autonomous driving vehicles in the PRC, pursuant to which, any entity intending to conduct a road testing and demonstrative application of ICV must provide a self-statement on road testing safety and a temporary licence plate for each tested vehicle. Demonstrative application refers to activities involving the pilot and trial effects of running ICV with passengers and goods, which are carried out on designated sections of roads, urban roads, regions and other roads that are used for passage of public motor vehicles. To qualify for these required licences, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under the PRC law with the capacity to conduct manufacturing, technological research or testing of vehicles and vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitoring of the tested vehicles; (ii) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human driving mode in a safe, quick and simple manner and allow human driver to take control of the vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring of the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (iv) the applicant entity must sign an employment contract or a labour service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years’ driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; and (v) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. In addition, the testing entity is required to submit to the provincial authority a periodical testing report every six months and a final testing report within one month after completion of the road testing.

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Guidelines on the Construction of Closed-course Autonomous Driving Testing Sites (Interim) (自動駕駛封閉測試場地建設技術指南(暫行)) (the “**Technical Guidelines**”) promulgated by the General Office of the MOT on 22 May 2018, was the first national-level normative guideline on the construction of closed-course autonomous driving testing sites issued by China’s ministry, aiming to regulate the requirements of constructing closed-course autonomous driving testing sites and provide regional governments and enterprises with guidance on the autonomous vehicle testing sites building, so as to supply better services for autonomous vehicle testing execution and relevant technology development to support the construction of constructing China into a country with strong transportation network. The Technical Guidelines provide for the venue, communications, power supply, and other basic requirements for autonomous driving closed-course testing sites, which apply to the construction of closed-course testing sites for autonomous driving vehicles in China. The Technical Guidelines also specify the requirements for detailed rules on signs and lane widths at testing sites such as curves, ramps, S-shapes, road entries, road exits, closures, and speed reduction of crosswalks, as well as standardise the requirements for the setup of the systems for communications equipment coverage, power supply current, monitoring and warning, and others in the testing sites.

ICVs Autonomous Driving Functionality Test Regulations (Trial Implementation) (智能網聯汽車自動駕駛功能測試規程(試行)) was jointly promulgated by China Industry Innovation Alliance for the Intelligent and Connected Vehicles (中國智能網聯汽車產業創新聯盟) and Intelligent & Connected Vehicles Subcommittee of National Technical Committee of Auto Standardisation (全國汽標委智能網聯汽車分技術委員會) on 3 August 2018, which subdivides the 14 testing items of the ICV autonomous driving functionality testing items into corresponding 34 testing scenarios, and proposes the corresponding testing scenarios, testing regulations and pass criteria for each test item. This regulation provides reference for provincial and municipal governments to organise road tests for ICV, and basis and reference for third party testing institutions to conduct testing verification of autonomous driving functionality.

### ***Regulations on road testing of ICV of major cities related to our business operations***

#### ***Beijing***

The Beijing Municipal Commission of Transport (北京市交通委員會) (the “**BMCT**”), the Beijing Traffic Management Bureau (北京市公安局公安交通管理局) (the “**BTMB**”) and the former Beijing Municipal Commission of Economy and Information Technology (北京市經濟和信息化委員會) (now Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局)) (the “**BMBEIT**”) jointly promulgated the Detailed Implementation Rules of the Beijing Municipality for the Administration of the Road Testing of Autonomous Driving Vehicles (Trial Implementation) (北京市自動駕駛車輛道路測試管理實施細則(試行)) (the “**Beijing Implementation Rules**”) on 12 November 2020 with effect from the same date. The Beijing Implementation Rules regulate the requirements to be followed for road testing of autonomous driving vehicles within the scope of Beijing. A working group jointly established by the BMCT (as the leading authority), the BTMB and the BMBEIT (the “**Beijing Joint**



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**Working Group**”) is designated as the administration authority for the administration of the road testing conducted in Beijing. The road testing of autonomous driving vehicles is testing activities aimed at carrying out scientific testing of autonomous driving systems, including three types of testing: general technology test, special technical test and trial operation test.

The tested vehicles applying for the test shall, among others, complete the test of a certain mileage in the closed-course testing site of autonomous driving vehicles identified by the Beijing Joint Working Group by means of real vehicles or a combination of real vehicles and simulation testing, meeting the relevant testing and evaluation requirements, and the conditions for road testing.

The BMCT, the BTMB and the BMBEIT jointly promulgated the Contents and Methods of the Beijing Municipality of Field Test Capability Assessment for Autonomous Driving Vehicles (Trial Implementation) (北京市自動駕駛車輛道路測試能力評估內容與方法(試行)) and Technical Requirements of the Beijing Municipality of Closed-course Testing Site for Autonomous Driving Vehicles (Trial Implementation) (北京市自動駕駛車輛封閉測試場地技術要求(試行)) on 2 February 2018.

The BMCT, the BTMB and the BMBEIT jointly promulgated the Notice on Adopting the Contents and Methods of Field Test Capability Assessment for Autonomous Driving Vehicles T/CMAX116-01-2018 (自動駕駛車輛道路測試能力評估內容與方法) (the “**CMAX116-01-2018**”) and Technical Requirements of Closed-course Testing Site for Autonomous Driving Vehicles T/CMAX116-02-2018 (自動駕駛車輛封閉試驗場地技術要求) (the “**CMAX116-02-2018**”) and the Technical Requirements for Autonomous Driving Vehicle Simulation Testing Platform in Beijing T/CMAX121-2019 (北京市自動駕駛車輛模擬仿真測試平台技術要求) (the “**T/CMAX121-2019**”). The CMAX116-01-2018 and the CMAX116-02-2018 are both association standards issued by Zhongguancun Zhitong Intelligent Transportation Industry Alliance (中關村智通智能交通產業聯盟) on 11 February 2018 and implemented on the same date.

The CMAX116-01-2018 regulates the content of training scenarios of autonomous driving vehicles in closed-course testing sites, the assessment of autonomous driving vehicles’ ability level before road testing, assessment methods and requirements, etc. In the closed field test, the classification of capability assessment for autonomous driving vehicles is divided into T1 to T5 level based on the difficulty of assessment contents and the complexity of field test scenarios. The assessment content refers to five aspects, including cognition and ability to comply with traffic regulations, executive ability, emergency treatment and human take-over ability, comprehensive driving ability, and connected driving ability, and is further refined into over 40 items for comprehensive assessment.

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The CMAX116-02-2018 regulates the technical requirements of the closed-course testing site of autonomous driving vehicles including the testing training site, capability assessment site and supporting office and service facilities, which are applicable to the testing training site required for the development of autonomous driving vehicles and the capability assessment site required for road testing capability assessment. The set up elements of the testing training site, the main body of the road (road classification and construction length, design driving speed and design passable vehicle type requirements, etc.), and the requirements of the T1 to T5 level capability assessment site are further explained.

The T/CMAX121-2019 regulates the general requirements and technical requirements for autonomous driving vehicles simulation testing platforms, which applies to platforms or systems for simulation and testing of autonomous driving vehicles and guides the standardised construction of simulation testing platforms. In the aspect of the general requirements for simulation testing platforms, the T/CMAX121-2019 sets forth the capability requirements for the platform completeness, such as the required capability of testing algorithms with complete functions, supporting the testing of algorithms for perception, decision-making and control of autonomous driving vehicles, supporting real-time simulation testing, and having the ability of concurrent testing of multiple vehicles. In the aspect of technical requirements for simulation testing platforms, T/CMAX121-2019 clarifies the requirements of field element design, vehicle model, sensor model, and dynamic element design of simulation testing platforms.

### *Hangzhou*

Hangzhou Municipal Commission of Economy and Information Technology (杭州市經濟和信息化委員會), Hangzhou Municipal Public Security Bureau (杭州市公安局) and Hangzhou Municipal Transportation Bureau (杭州市交通運輸局) jointly promulgated the Implementation Rules of the Hangzhou Municipality for the Administration of the Road Testing of ICVs (Trial Implementation) (杭州市智能網聯車輛道路測試管理實施細則(試行)) (the “**Hangzhou Implementation Rules**”) on 16 July 2018, which came into effect on 20 August 2018. Hangzhou Implementation Rules clarify the scope and administration rules of the road testing of ICVs in Hangzhou. A working group jointly established by Hangzhou Municipal Commission of Economy and Information Technology (杭州市經濟和信息化委員會), Hangzhou Municipal Public Security Bureau (杭州市公安局), Hangzhou Municipal Transportation Bureau (杭州市交通運輸局), Hangzhou Municipal Urban and Rural Development Commission (杭州市城鄉建設委員會) and Hangzhou Municipal Urban Management Commission (杭州市城市管理委員會) (the “**Hangzhou Joint Working Group**”) is designated as the administration authority for the administration of the road testing of ICVs conducted in Hangzhou. The Hangzhou Joint Working Group may authorise any third party institute to supervise the road testing of ICVs in the whole process (the “**Designated Institute**”). The Designated Institute will be responsible for handling applications, organising expert assessment, tracking testing, collecting data, carrying out daily supervision, etc. Our Company was appointed as a Designated Institute in Hangzhou for a period of five years from September 2018 to September 2023.

### REGULATIONS ON CYBER SECURITY AND DATA PROTECTION

#### Data protection related laws and regulations

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

Civil Code of the PRC (中華人民共和國民法典) (the “**Civil Code**”) that was issued by the the National People's Congress of the PRC (中華人民共和國全國人民代表大會) (the “**NPC**”) on 28 May 2020 and took effect on 1 January 2021 provides that natural persons' personal information shall be protected by law. Organisations and individuals shall legally collect personal information and ensure the security of the personal information collected. It is not allowed to illegally collect, use, process or transfer the personal information, or illegally buy or sell, provide or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, without excessive processing, and shall meet the following conditions: (i) gaining the consent from the natural person or the guardian thereof, unless otherwise provided by laws or administrative regulations; (ii) expressly stating the purpose, method and scope of information to be processed; and (iii) not violating the provision of the laws and administrative regulations or the agreement of both parties.

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The Data Security Law was promulgated on 10 June 2021 and became effective on 1 September 2021. It establishes a data protection system based on the category and security level of the data in terms of its importance for economic and social development and the potential harm caused by the illegal use of such data to national security, public interest or rights and interests of individuals and organisations. Competent government authorities shall be responsible for formulating lists for “important data”. A higher level of protection shall apply to “national core data” which refers to the data that is vital to national security, economy, people’s livelihood and major public interests. According to the Data Security Law, data activities affecting or likely to affect national security will be subject to national security review under the data security review system. The data relating to safeguarding national security and interests and performance of international obligations shall be subject to export control of China. In addition, the Data Security Law provides that important data handlers shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties involved in the data transactions and keep records accordingly. Any violation of the Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licences, and/or even criminal liabilities. According to the Data Security Law, the maximum monetary fine imposed on the breaching party is RMB10 million.

On 20 August 2021, the SCNPC issued the Personal Information Protection Law, which took effect on 1 November 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information handler could process personal information and the requirements for such circumstances, such as when (i) the individual’s consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfil statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect natural persons’ life, health and property safety under emergency circumstances; (v) the personal information that has legally been made public by the relevant individual or otherwise is processed within a reasonable scope; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information handler. The Personal Information Protection Law provides that a personal information handler could process publicly disclosed information within the reasonable scope in accordance with the six circumstances already specified thereunder. No organisation or individual may illegally collect, use, process or transmit personal information, illegally buy or sell, provide or make personal information public, or engage in the processing of personal information that endangers national security or public interests. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information handler to rectifications, warnings, fines, suspension of the related business, revocation of licences, being entered into the relevant credit record or even criminal liabilities.

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On 30 July 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the “**Safe Protection Regulations**”) which took effect on 1 September 2021. Pursuant to the Safe Protection Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have a severe impact on national security, the nation’s welfare, the people’s living and public interests. The Safe Protection Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatisation; and (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulation clarifies the measures for dealing with the failure of critical information infrastructure operators to perform their responsibilities for security protection, such as imposing fines.

On 8 December 2022, the MIIT issued the Measures for Data Security Administration in the Industry and Information Technology Field (Trial Implementation) (工業和信息化領域數據安全管理辦法(試行)) (the “**Administration Measures**”), which will become effective on 1 January 2023. In accordance with the Administration Measures, the industrial and telecommunication data handlers shall classify data firstly based on the data’s category and then based on its security level on a regular basis, to classify and identify data based on the industry requirements, business needs, data sources and purposes and other factors, and to make a data classification list. In addition, the industrial and telecommunication data handlers shall establish and improve a sound data classification management system, take measures to protect data based on the levels, carry out key protection of important data, implement stricter management and protection of core data on the basis of important data protection, and implement the protection with the highest level of requirement if different levels of data are processed at the same time. The Administration Measures also impose certain obligations on industrial and telecommunication data handlers in relation to, among others, the implementation of data security work system, the administration of key management, data collection, data storage, data usage, data transmission, provision of data, publicity of data, data destruction, safety audit and emergency plans, etc.

On 16 August 2021, the CAC, National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the “**NDRC**”), the MPS, the MIIT and the MOT jointly promulgated the Several Provisions on Automotive Data Security Management (Trial Implementation) (汽車數據安全管理若干規定(試行)) (the “**Provisions on Automotive Data**”).

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**Security**”) which took effect on 1 October 2021 and aims to regulate the collection, analysis, storage, utilisation, provision, publication, and cross-border transmission of personal information and important data generated throughout the lifecycle of automobiles by automotive designers, producers and service providers. Relevant automotive data handler including automotive manufacturers, compartment and software providers, dealers, maintenance providers are required to process personal information and important data in accordance with applicable laws during the automotive design, manufacture, sales, operation, maintenance and management. To process personal information, automotive data handlers shall obtain the consent from the individual or conform to other circumstances stipulated by laws and regulations. Pursuant to the Provisions on Automotive Data Security, personal information and important data related to automobiles shall in principle be stored within the PRC and a cross-border data security evaluation shall be conducted by the national cyberspace administration authority in concert with relevant departments under the State Council if there is a need to provide such data overseas. To process important data, automotive data handlers shall conduct risk assessment in accordance with regulations and submit risk assessment reports to related departments at provincial levels.

To further clarify the outbound data transfer mechanism established by the Cyber Security Law, the Data Security Law, and the Personal Information Protection Law, on 7 July 2022, the CAC promulgated the Measures on Security Assessment of Outbound Data Transfer (數據出境安全評估辦法), which became effective on 1 September 2022 and provides that data handlers satisfying certain conditions need to declare the security assessment through provincial cyberspace administrations and get approval from the CAC. The Measures on Standard Contracts for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) was issued by the CAC on 22 February 2023, which became effective on 1 June 2023, clarifying that the personal information handler who carries out personal information outbound transfer activities by way of entering into standard contracts shall comply with certain conditions, and shall file the signed standard contracts with the provincial cyberspace administrations. The Provisions on Promoting and Regulating Cross-border Flow of Data (《促進和規範數據跨境流動規定》) (the “**Promoting Provisions**”) promulgated by the CAC on 22 March 2024 further adjusted the scope and procedures applicable to the mechanisms of security assessment and filing of standard contracts, and provides exemption conditions. Pursuant to the aforesaid measures and provisions, if a data handler transfers data out of mainland China and meets one of the following conditions, it shall declare the security assessment to the CAC and get approval: (1) a critical information infrastructure operator provides personal information or important data out of mainland China; or (2) a data handler other than the critical information infrastructure operator provides important data out of mainland China, or provides more than 1 million individuals’ personal information (excluding sensitive personal information) or more than 10,000 individuals’ sensitive personal information out of mainland China cumulatively from 1 January of the current year. However, the data handler is not obliged to declare such security assessment if the exemption conditions under Articles 3 to 6 of the Promoting Provisions are met.



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On 6 March 2020, the SAC issued Information Security Technology – Personal Information Security Specification (信息安全技術-個人信息安全規範) (GB/T 35273-2020) (the “**2020 Specification**”). Effective as at 1 October 2020, the 2020 Specification has replaced GB/T 35273-2017 Personal Information Security Specification, and has updated and refined the previous guidelines. The 2020 Specification is a recommended national standard which means it does not have legal effect, but to a certain extent it explains and reinforces the requirements under the Cyber Security Law. It lays out granular guideline on how to obtain consent and how personal information should be collected, used and shared. Under the 2020 Specification, personal information refers to any information that is recorded, electronically or otherwise, that can be used alone or in combination with other information to identify a natural person or reflect the activity of a natural person. Sensitive personal information is defined as personal information which if disclosed or abused, will lead to an adverse impact on the personal information subject, including personal identification number, mobile phone number, individual biometric information, bank account number, location tracking, health and physiological information and transaction information, etc. The organisation or person who is in a position to determine the purpose, means and other measures of personal information processing (the “**PI Controller**”) cannot force a natural person, who is identified by or associated with the personal information (the “**PI Subject**”), to accept the business functions provided by the product or service. If the PI Subject does not explicitly authorise and provide consent to use personal information for a specific business function, the PI Controller shall not demand the PI Subject to give consent only by reason of better-quality service, security enhancement, new product R&D, or better user experience. Under the 2020 Specification, the PI Controller is required to inform the PI Subject of the purpose, method, scope and other rules for collecting and using such personal information and obtain explicit consent from the PI Subject (“explicit consent” refers to the specific and clear expression of intention voluntarily made by the well informed PI Subject) from the PI Subject prior to the collection of sensitive personal information, and minimise the storage period of personal information necessary to accomplish their purposes, after which the personal information must be anonymised); furthermore, to share and transfer personal information, the PI Controller must conduct security impact assessments in advance, inform the subject about the purpose of sharing and transferring their personal information, and receive the PI Subject’s explicit consent. It is suggested as well that the PI Controller should develop a specific and detailed protocol for handling and reporting any personal information security incidents, including regular trainings for the workers who handle personal information.

In addition to the civil protection of personal information, pursuant to the Criminal Law of the PRC (中華人民共和國刑法) issued by the SCNPC and became effective on 1 March, 2024, any Internet service provider who fails to fulfil the obligations related to the Internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People’s Court, the Supreme People’s Procuratorate and MPS on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知), issued on 23 April 2013, Article 253 of the Criminal Law of the PRC (中華人民共和國刑法), and the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding

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Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋), which was issued on 8 May 2017 and took effect on 1 June 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

### Cyber security review

Apart from personal information and data protection, on 13 April 2020, the CAC, the NDRC and several other administrations jointly promulgated the Measures for Cyber Security Review (網絡安全審查辦法), which became effective on 1 June 2020. The measures establish the basic framework for national security reviews of purchasing network products and services by critical information infrastructure operators, and provide the principle provisions for undertaking cyber security reviews.

On 28 December 2021, the CAC promulgated the Measures for Cyber Security Review (網絡安全審查辦法) (the “**Measures II**”), which provides that (i) internet platform operators holding over one million users' personal information shall apply with the Cyber Security Review Office (網絡安全審查辦公室) for a cyber security review when listing abroad; (ii) operators of “critical information infrastructure” who intend to purchase internet products and services that will or may affect national security shall apply for a cyber security review; and (iii) internet platform operators carrying out data processing that will affect or may affect national security shall apply for a cyber security review. The Measures II became effective on 15 February 2022 and has replaced the Measures for Cyber Security Review promulgated on 13 April 2020. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws and regulations, including identifying any entity to meet any of the above cyber security review criteria.

On 24 September 2024, the State Council published the Network Data Security Regulations which provides the network data handlers shall be subject to national security review if their network data handling activities affect or may affect national security, and it provides no further explanation or interpretation as to how to determine what constitutes “affecting national security”. In addition, the Network Data Security Regulations requires network data handlers handling personal information involving over 10 million individuals to comply with certain regulations on important data handlers, including, among others, specifying the person in charge of network data security and the management organisation for



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network data security, and conducting security background review of the person in charge of network data security and personnel in key positions and strengthen the training for the relevant personnel when controlling important data of specific type and scale specified by the relevant competent authority.

### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT AND OVERSEAS LISTING

#### PRC Company Law

The PRC Company Law was promulgated by the SCNPC on 29 December 1993 with effect from 1 July 1994, and last revised on 29 December 2023 and came into effect on 1 July 2024. Under the PRC Company Law, companies are generally classified into limited liability companies and joint stock limited companies. The PRC Company Law also applies to foreign-invested enterprises. Pursuant to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

#### Foreign Investment Law

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the “**Foreign Investment Law**”) promulgated by the NPC has come into effect on 1 January 2020. Since then, the Law of the PRC on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) and the Law of the PRC on Wholly Foreign-Owned Enterprise (中華人民共和國外資企業法) and the Law of the PRC on Sino-Foreign Cooperative Joint Ventures (中華人民共和國中外合作經營企業法) had been abolished, and the Foreign Investment Law has become the basic law regulating foreign-invested enterprises which are wholly or partially invested by foreign investors. The organisation form, institutional framework and standard of conduct of foreign-invested enterprises shall also be subject to the provisions of the PRC Company Law and other laws. The PRC government will implement the management system of pre-entry national treatment, and the Negative List for foreign investment abolished the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favourable than the treatment accorded to domestic investors and their investments. Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the negative list. The current negative list is the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Revision) (外商投資准入特別管理措施(負面清單)(2024年版)) (the “**Negative List**”) issued by the NDRC and the Ministry of Commerce of the PRC (中華人民共和國商務部) (the “**MOFCOM**”) on 6 September 2024 with effect from 1 November 2024. The Negative List lists the special management measures for foreign investment access for the regulated industries, such as equity requirements and senior management requirements.

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While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM. The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (外商投資信息報告辦法) which is jointly developed by the MOFCOM and the SAMR and came into effect on 1 January 2020. According to the Foreign Investment Information Reporting Method, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統); the reporting methods include initial reports, change reports, cancellation reports, and annual reports.

### Regulations relating to overseas offering and listing

On 17 February 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Trial Measures**”) and five relevant guidelines, which came into force on 31 March 2023.

According to the Trial Measures, (i) PRC domestic companies that seek offering or listing of securities overseas (“**Overseas Offering and Listing**”), both directly and indirectly, should fulfil the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings and fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) domestic companies that seek direct Overseas Offering and Listing means that PRC companies limited by shares offer or list securities in overseas securities markets; and (iii) a PRC company limited by shares is required to file with the CSRC within three business days after its application for overseas listing is submitted. Failure to complete the filing under the Trial Measures may subject a PRC domestic company to rectification ordered by the CSRC, warning, and a fine of RMB1 million to RMB10 million.

Besides, PRC domestic companies seeking Overseas Offering and Listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. PRC domestic companies that conduct Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardise its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the Accounting Law of the PRC (中華人民共和國會計法) and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on

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confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where the overseas provision of personal information and important data is involved. In addition, the Trial Measures also provides for the circumstances where the Overseas Offering and Listing is explicitly prohibited, including where (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) such securities offering and listing constitutes threat to or endangers national security; (iii) the PRC domestic company, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company is currently under investigations for alleged criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) controlled by the controlling shareholder(s) and/or the actual controller.

### REGULATIONS ON PRODUCT LIABILITY

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated on 22 February 1993 and most recently amended 28 December 2018 by the SCNPC, the sellers shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as product description or physical sample. If a consumer incurs losses as a result of the purchased product, the seller shall compensate for such losses.

According to the Civil Code, if products are identified as defective after they have been put into circulation, the manufacturers or the sellers shall take remedial measures such as issuing warnings, alerts, calls and recall of products in a timely manner. In the event of damage arising from a defective product or the failure to take timely remedial actions, the infringed party may seek compensation from either the manufacturer or seller of such product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the products were produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

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### LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

#### Anti-Monopoly Law

The Anti-Monopoly Law which was promulgated by the SCNPC on 30 August 2007 with effect from 1 August 2008, as revised on 24 June 2022 with effect from 1 August 2022, applies to the monopolistic practices in domestic economic activities in China as well as the monopolistic practices outside China which have exclusion or restriction effects on domestic market competition. The monopolistic practices under the Anti-Monopoly Law include monopoly agreement reached by operators, abuse of market dominating position by operators and the concentration of operators which has an effect of eliminating or restricting competition. The agencies designated by the State Council are responsible for the enforcement of the Anti-Monopoly Law. The anti-monopoly enforcement agencies of the State Council may, according to work requirements, delegate relevant anti-monopoly enforcement tasks to the corresponding agencies of the people's governments of provinces, autonomous regions and centrally-administered municipalities pursuant to the provisions of Anti-Monopoly Law. Operators who violate the Anti-Monopoly Law may be ordered by the enforcement agencies to stop the illegal act, be imposed a fine or be subject to other restrictive measures.

#### Anti-unfair Competition Law

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

### LAWS AND REGULATIONS RELATING TO IP RIGHTS

#### Patent

The Patent Law of the PRC (中華人民共和國專利法) (the “**Patent Law**”) is revised by the SCNPC on 17 October 2020 and came into effect on 1 June 2021. According to the Patent Law, when the invention or utility model patent is granted, unless otherwise stipulated in the Patent Law, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purposes, or use the patented method, or use, offer to sell, sell or import the products directly obtained with the patented method. Implementing the patent without the approval of the patent owner constitutes the infringement of patent rights. Any dispute in connection with

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such shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the patent owner or the relevant stakeholders may file a lawsuit in the people's court or turn to the patent administration authorities for handling.

Pursuant to the Rules for Implementation of the Patent Law of the PRC (中華人民共和國專利法實施細則), which was amended by the State Council on 11 December 2023 and became effective on 20 January 2024, where the entity to which a patent right is granted does not agree with the inventor or the designer on, or to specify in its legitimately enacted company rules the way and the amount of reward, the entity shall reward the inventor or designer within 3 months from the date of the announcement of granting the patent. The minimum reward for an invention patent shall not be less than RMB4,000; and the minimum reward for an utility model or design patent shall not be less than RMB1,500. Where the entity granted a patent right fails to agree with the inventor and/or designer on the methods for and amount of awards and remuneration as provided in Article 15 of the Patent Law or under bylaws and systems formulated in accordance with the law, it shall pay reasonable remuneration to the inventor and/or designer in accordance with the Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements.

### Trademark

According to the Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”) revised by the SCNPC on 23 April 2019 and came into effect on 1 November 2019, the registered trademark has a validity period of 10 years starting from the registration date. The trademark registrant enjoys the exclusive right to use the trademark. Any dispute in connection with the activities infringing the registered trademark set out in Article 57 of the Trademark Law shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the trademark registrant or the relevant stakeholders may file lawsuits in the people's court or turn to the industrial and commercial administrative department for handling.

### Copyright

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

In addition, Internet activities, products disseminated over the Internet and software products also enjoy copyright. Pursuant to the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) promulgated by the National Copyright Administration of the PRC (中華人民共和國國家版權局) (the “**NCA**”) on 20 February 2002 and the Regulation on Protection of Computer Software (計算機軟件保護條例) promulgated by

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the State Council on 4 June 1991 and last amended by the State Council on 30 January 2013, the NCA is mainly responsible for the registration and management of software copyright in China; the Copyright Protection Center of China (中國版權保護中心) (the “CPCC”) is recognised as the software registration organisation. The CPCC shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) and the Regulation on Protection of Computer Software (計算機軟件保護條例).

### Domain names

In accordance with the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) which was issued by the MIIT on 24 August 2017 and came into effect on 1 November 2017, the MIIT is responsible for the supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of “first apply, first register”. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration-related information.

## LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in China is the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) (the “**Forex Regulations**”) which was promulgated by the State Council on 29 January 1996, effective on 1 April 1996 and last amended on 1 August 2008. Pursuant to the Forex Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC unless prior approval of the SAFE or the competent local counterparts is obtained.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (關於境外上市外匯管理有關問題的通知(匯發[2014]54號)) issued by the SAFE and became effective on 26 December 2014, the domestic issuer shall, within 15 business days from completion of its overseas initial public offering, register the overseas listing with the SAFE’s local branch in the place of its incorporation.

According to the Circular of the SAFE on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary foreign exchange settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary foreign exchange settlement as expressly prescribed in the relevant policies may



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be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to the balance of payments. While being eligible for discretionary foreign exchange settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the fund settled in the previous foreign exchange settlement (including discretionary foreign exchange settlement and payment based settlement) of such domestic institution. Domestic institutions' foreign exchange receipts under the capital account and the RMB funds obtained from the foreign exchange settlement thereof shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the state. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments or wealth management other than wealth management products and structured deposits with a risk rating grade that is not higher than second grade. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope. The funds shall not be used for the purchase of residential real estate for purposes other than self-use (except for real estate development enterprises and real estate leasing enterprises).

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

## LAWS AND REGULATIONS RELATING TO TAXATION

### Income tax

According to the EIT Law, which was promulgated by the SCNPC on 16 March 2007 with effect from 1 January 2008 and last amended on 29 December 2018, and the Implementation Regulations for the EIT Law (中華人民共和國企業所得稅法實施條例), which was promulgated by the State Council on 6 December 2007 with effect from 1 January 2008 and amended on 23 April 2019, all domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%, or the qualified small low-profit enterprises, which will enjoy the reduced enterprise income tax rate of 20%.

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Enterprises that are recognised as high-tech enterprises in accordance with the Administrative Measures on Accreditation of High-tech Enterprises (高新技術企業認定管理辦法) are entitled to enjoy the preferential EIT rate of 15%. The validity period of the high-tech enterprise qualification shall be three years from the date of issuance of the certificate of high-tech enterprise.

According to the Announcement on EIT Policies for Promoting High-quality Development of Integrated Circuit Industry and Software Industry (關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告), which was promulgated by the Ministry of Finance of the PRC (中華人民共和國財政部) (the “MOF”), the SAT, the NDRC and the MIIT on 11 December 2020 and came into effect on 1 January 2021, the qualified integrated circuit design, equipment, materials, packaging, testing and software enterprises enjoy the EIT exemption, starting from the first profit-making year of the enterprise, for the first two years, and a half-rate reduction of the EIT of 25% from the third to the fifth year (that is 12.5%). The qualified Key Software Enterprises\* (重點軟件企業), starting from the first profit-making year of the enterprise, enjoy the EIT exemption for the first five years, and are subject to a reduced 10% EIT in subsequent years.

### Value-added tax (“VAT”)

The Provisional Regulations on VAT of the PRC (中華人民共和國增值稅暫行條例), which was promulgated on 13 December 1993 with effect from 1 January 1994 and last amended on 19 November 2017, and the Detailed Implementing Rules of the Provisional Regulations on VAT of the PRC (中華人民共和國增值稅暫行條例實施細則), which was promulgated on 25 December 1993 with effect from the same date and last amended on 28 October 2011 with effect from 1 November 2011, set out that organisations and individuals engaging in sale of goods or processing, repair and assembly services (the “labour services”), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of VAT, and shall pay VAT pursuant to these regulations. The tax rate for taxpayers engaging in sale of goods, services, lease of tangible movables or importation of goods shall be 17%, unless otherwise stipulated. The tax rate for taxpayers engaging in the sale of transport services, postal services, basic telecommunications services, construction services, or real property leasing services, the sale of real properties, the transfer of land use rights, the sale or importation of certain goods shall be 11%. The tax rate for taxpayers engaging in exportation of goods shall be zero, unless otherwise stipulated by the State Council. According to the Notice of the MOF and the SAT on Adjusting VAT Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) issued on 4 April 2018 and effective on 1 May 2018, the rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the MOF, the SAT and the General Administration of Customs of the PRC (中華人民共和國海關總署) on Relevant Policies for Deepening VAT Reform (關於深化增值稅改革有關政策的公告) issued on 20 March 2019 with effect from 1 April 2019, the VAT rates were reduced to 13% and 9%, respectively.



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## REGULATORY OVERVIEW

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In addition, according to the Announcement on the VAT Reduction and Exemption Policy for Small-scale VAT Taxpayers (關於增值稅小規模納稅人減免增值稅政策的公告) promulgated by the MOF and the SAT on 1 August 2023, until 31 December 2027, small-scale VAT taxpayers with monthly sales of less than RMB100,000 (inclusive) are exempted from VAT.

### **LAWS AND REGULATIONS RELATING TO LABOUR AND SOCIAL SECURITY**

#### **Labour Law and Labour Contract Law**

According to the Labour Law of the PRC (中華人民共和國勞動法) taking effect on 1 January 1995 and revised on 29 December 2018 and the Labour Contract Law taking effect on 1 January 2008 and revised on 28 December 2012, the labour contract shall be signed when the employer establishes labour relationship with the employee. Labour contracts, divided into fixed-term labour contracts, non-fixed-term labour contracts and labour contracts which expire upon completion of agreed assignments, shall be signed in written after negotiation and agreement. The wage shall not be less than the local minimum wage standard. The employer and the worker shall fully perform the obligations in accordance with the labour contract.

#### **Social insurance and housing provident fund**

According to the Social Insurance Law issued by the SCNPC on 28 October 2010, implemented on 1 July 2011 and revised on 29 December 2018, the employers shall sign labour contracts with the employees and maintain the social insurance of the employees according to law, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and birth insurance. The Social Insurance Law sets out in detail the obligations and liabilities of the employers according to the relevant social insurance laws and regulations. According to Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Regulations on Work-related Injury Insurance (工傷保險條例), Regulations on Unemployment Insurance (失業保險條例) and Provisional Measures on Birth Insurance of Employees (企業職工生育保險試行辦法), enterprises must provide employees with social insurance, including basic pension insurance, unemployment insurance, birth insurance, work-related injury insurance and basic medical insurance. The enterprises shall complete the social insurance registration procedures at the local social insurance agencies, and pay and withhold the relevant social insurance premiums for or on behalf of the employees. According to Regulations on Management of Housing Provident Fund (住房公積金管理條例) issued by the State Council on 3 April 1999 and revised and implemented on 24 March 2019, the enterprises shall fully pay the housing provident fund contribution for the employees on time, with the contribution ratio no less than 5% of the average monthly salary of the relevant employee in the previous year. The housing provident fund contribution paid by the employees and the employers shall be owned by the employees.

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## REGULATORY OVERVIEW

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The PRC and international export restrictions and sanctions related laws and regulations that have a significant impact to our business are set out below:

### EXPORT ADMINISTRATION REGULATIONS

The EAR, administered by the U.S. Department of Commerce, BIS, govern the export, re-export and transfer (in-country) of items “subject to the EAR”. Generally, “items subject to the EAR” include virtually all U.S.-origin commodities, software, and technology. In limited circumstances, services are also covered. More specifically, items “subject to the EAR” include (i) all items in the U.S. (except publicly available technology and software); (ii) all U.S.-origin items located outside the U.S.; (iii) certain foreign-made items that include more than de minimis amounts of controlled U.S. content; (iv) foreign-made items that are the direct product of U.S.-origin technology or software; and (v) certain foreign-produced “direct products” of a complete plant or any major component of a plant, as long as the plant is considered a direct product of U.S. technology or software.

The BIS through the EAR maintains, amongst others, a list of names of certain foreign persons, including businesses, research institutions, government and private organisations, individuals and other types of legal persons (the “**Entity List**”). The Entity List initially arose in 1997 as a list setting forth foreign persons known to be involved in proliferation activities and the development of weapons of mass destruction or missiles to deliver those weapons. Since its initial publication, grounds for inclusion on the Entity List have expanded to activities sanctioned by the U.S. State Department and activities contrary to U.S. national security or other foreign policy interests. Any export, re-export or transfer of an item subject to the EAR to an entity on the Entity List requires a licence. This restriction also includes engaging in export transactions where the exporter knows or has reason to know that the products to be exported (or re-exported or re-transferred) are destined for a prohibited end-use.

Further, BIS has a licence review policy establishing a presumption that any licence application for an export, re-export or transfer to an entity on the Entity List be denied as such the BIS will only approve a licence in exceptional circumstances where it can be established that the granting of the licence will not harm or impair U.S. national security.

Pursuant to the EAR, an item may be exempted from being subject to the EAR if it fulfils certain criteria, such as where it is a foreign made item, which contains not more than a specific percentage of U.S. origin content by value (the “**De Minimis Rule**”). The specific percentage of U.S. origin content by value generally refers to foreign made products which (a) incorporate U.S. origin parts or components into the finished product and those parts or components would themselves require a specific licence if they were exported separately; and (b) the fair market value of those parts or components as a percentage of the total value of the finished product exceeds the specific percentage. The specific percentage varies in calculation when the items are provided to different destinations or end-users. In order for an entity to avail itself to the De Minimis Rule, pursuant to § 734.4(d)(3) and Supplement No. 2 to part 734 of the EAR, it must file a one-time report in respect of each product to enable the U.S. government to evaluate whether U.S. content calculations were performed correctly. The report must contain a

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## REGULATORY OVERVIEW

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description of the scope and nature of the foreign technology, a description of its fair market value, along with the rationale and basis for the valuation. Where the BIS has not contacted the entity within 30 days after the filing of the report, the entity is entitled to rely upon the calculations unless and until BIS contacts them otherwise.

According to EAR 734.9, if the technology and software subject to the EAR is essential to the development of the foreign product, the foreign product may be deemed as the direct product of such technology and software. Besides, whether the foreign product developed from certain U.S. controlled software and technology is subject to the EAR shall be considered under different scenarios. When the items are provided to a listed entity on the Entity List, there is a specific foreign-produced “direct products” rule (“**Entity List FDP rule**”). A foreign-produced item would meet the product scope if it is a “direct product” of “technology” or “software” subject to the EAR and some specific ECCNs. When such a product is subject to the EAR, BIS requires a licence for export, re-export or transfer in-country. A foreign-produced item would meet the end-user scope if there is “knowledge” that:

- (a) activities involving footnote 1 designated entities. The foreign-produced item will be incorporated into, or will be used in the “production” or “development” of any “part,” “component,” or “equipment” produced, purchased, or ordered by any entity with a footnote 1 designation in the licence requirement column of the Entity List in Supplement No. 4 to part 744 of the EAR; or
- (b) Footnote 1 of supplement No. 4 to part 744 of the EAR designated entities as transaction parties. Any entity with a footnote 1 designation in the licence requirement column of the Entity List in supplement No. 4 to part 744 of the EAR is a party to any transaction involving the foreign-produced item, e.g., as a “purchaser”, “intermediate consignee”, “ultimate consignee”, or “end-user”.

There are also other FDP rules, which are not applicable to our Group’s business as at the date of this prospectus, including: National Security FDP rule, 9x515 FDP rule, “600 series” FDP rule, Entity List FDP rule (Foot Note 4 therein), Russia/Belarus FDP rule, Russia/Belarus-Military End User FDP rule, Advanced Computing FDP rule and “Supercomputer” FDP rule.

### CMIC SANCTIONS

Executive Order 14032 (“**E.O. 14032**”), titled Addressing the Threat From Securities Investments That Finance Certain Companies of the PRC, was an executive order signed by United States President Joe Biden on 3 June 2021. The order came into effect on 2 August 2021. According to Section 1(a) of E.O. 14032, PRC entities meeting the following criteria could be designated as Chinese Military Industrial Complex Company (“**CMIC**”) and subject to the specific sanctions:

- (a) to operate or have operated in the defence and related materiel sector or the surveillance technology sector of the economy of the PRC; or

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## REGULATORY OVERVIEW

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- (b) to own or control, or to be owned or controlled by, directly or indirectly, a person who operates or has operated in any sector in the defence and related materiel sector or the surveillance technology sector or a person who is listed as a CMIC company.

According to Section 1 and Section 2 of E.O. 14032, the following activities are prohibited by E.O.14032:

- (a) United States persons are prohibited from purchasing or selling any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities;
- (b) any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions of security investment on CMIC is prohibited; and
- (c) any conspiracy formed to violate any of the prohibitions is prohibited.

### ANTI-FOREIGN SANCTIONS LAW OF THE PRC

Pursuant to Article 11 of AFSL, which was promulgated by the SCNPC on 10 June 2021 and came into effect on 10 June 2021, explicitly regulates that the PRC persons, which include the individuals with PRC nationality and the organisations organised under PRC laws, shall be subject to PRC's countering measures against certain foreign entities.

According to Article 3, Article 4 and Article 15 of the AFSL, the law authorises the relevant departments of the State Council to determine whether to include an entity in the Countermeasures List<sup>1</sup> by considering the two criteria below:

- (a) engaging in activities related to discriminatory restrictive measures: Any foreign persons or entities that have directly or indirectly participated in the formulation, decision on or implementation of (including support and facilitate) discriminatory restrictive measures could be included in the Countermeasures List; and
- (b) engaging in other activities that endanger the sovereignty, security and development interests of China: The AFSL also authorises the PRC government to proactively take countermeasures against foreign persons or entities who implement support or facilitate any acts that endanger the sovereignty, security and development interests of China. An example is the U.S. enterprises involving in arms sales to Taiwan Region. In addition, other activities that are contrary to China's national interest or cause harm to China's sovereignty, such as advocating for Hong Kong

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<sup>1</sup> A list published by State Council. If any violation of the blocking obligation is deemed as the implementation of restrictive measures and will lead to the inclusion in the countermeasures list, the consequences could include cutting off all transactions with China, or even freezing the assets of relevant individual or organisation in China (including equity interests in subsidiaries).

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## REGULATORY OVERVIEW

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independence, Tibet independence, Xinjiang Independence or holding China accountable for the COVID-19 pandemic, may also result in the entities being included in the Countermeasures List.

In addition, according to Article 5 of the AFSL, the law subjects the related foreign parties of the above target persons to the countermeasures taken by the PRC government. Such related parties include:

- (a) the spouse and lineal relatives of the individuals included in the Countermeasures List;
- (b) the senior executives or actual controllers of the organisations included in the Countermeasures List;
- (c) organisations that have individuals included in the Countermeasures List acting as senior executives; and
- (d) organisations which are actually controlled by individuals or organisations that are included in the Countermeasures List or have participated in the establishment and operation thereof.

Moreover, according to Article 6 of the AFSL, the AFSL provides for three types of countermeasures and a catch-all clause against the persons and entities in the Countermeasures List:

- (a) Denial of visa issuance, denial of entry, deregistration of visa or deportation;
- (b) Seizure, distraining or blocking of movable property, immovable property and other types of property within the territory of China;
- (c) Prohibiting or restricting the organisations or individuals within the territory of China from conducting relevant transactions, cooperation or other activities with sanctioned parties; and
- (d) Other necessary measures.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

We are a technology company in the PRC focusing on ICV simulation testing technologies, and primarily engaged in the design and R&D of ICV simulation testing products and the provision of related testing, validation and evaluation solutions.

Our Company was established in the PRC on 24 January 2014. The business history of our Group commenced from 2018 when the Management Group (i.e. Mr. Hu, Ms. Ma and Mr. He, all currently being the executive Directors) invested in our Company with their personal funds and commenced our ICV testing-related business operations. Before their joining, our Company had not commenced any business operations. All members of the Management Group were involved in IT and/or automotive industry before they joined our Company. Since mid-2017, the Management Group has devoted in the R&D of ICV testing-related solutions and focused on developing, building and upgrading our proprietary core technologies and testing tools, including the predecessor of *Sim Pro*. In order to commercialise the R&D results, the Management Group joined our Company and commenced our ICV testing-related business in 2018. We have received multiple series of equity financing to support our business development since 2020. On 8 November 2022, our Company was converted into a joint stock company with limited liability in the PRC as a listing vehicle in anticipation of the Listing.

### OUR BUSINESS MILESTONES

We set forth below our key business development and milestones:

Time		Event
2014	January	Our Company was established as a limited liability company in Beijing, the PRC
2018	March	Our Company commenced our ICV testing-related business operations
2021	May	We were recognised as a Specialised, Sophisticated, Special and New “Little Giant” Enterprise of Beijing* (北京市專精特新「小巨人」企業) by the Beijing Municipal Bureau of Economy and Information Technology* (北京市經濟和信息化局)
	June	Our core technology <i>Sim Pro</i> became the world’s first ICV simulation testing, validation and evaluation tool chain that had passed the highest-level functional safety certification (ASIL D) under ISO 26262

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Time	Event	
	July	We were recognised as a Specialised, Sophisticated, Special and New “Little Giant” Enterprise* (專精特新「小巨人」企業) by the MIIT
	September	We launched a cloud-based ICV simulation testing platform in the PRC jointly with a business partner
	November	Our ICV Testing Laboratory (智能網聯汽車測試實驗室) obtained the laboratory accreditation by the CNAS
2022	February	We obtained the Certificate of Accreditation as an Inspecting and Testing Institution* (檢驗檢測機構資質認定證書) issued by Beijing Municipal Administration for Market Regulation* (北京市市場監督管理局) for awarding quality related certifications to other entities in the PRC
	November	We obtained approval to establish a Postdoctoral Innovative Practice Base* (博士後創新實踐基地) from the Beijing Municipal Human Resources and Social Security Bureau* (北京市人力資源和社會保障局)
	December	We entered into a contract with the Relevant Customer for the project of building one of China’s largest cloud-based ICV simulation testing platforms in terms of daily test miles
2023	July	Our core technology <i>Safety Pro</i> obtained the ISO 26262 TCL 2 certification

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OUR CORPORATE HISTORY AND DEVELOPMENT

The following describes the corporate history and development of our Company, our subsidiaries as well as our invested companies:

#### **Our Company**

##### *Establishment of our Company and equity transfer to Space Technology*

On 24 January 2014, our Company was established as a limited liability company in the PRC with a registered capital of RMB1 million, which was owned as to 51.0% and 49.0% by Saidi Group and Beijing Bang Bang, respectively. The registered capital was fully paid up on 23 January 2014. Saidi Group was an SOE under CCID, and Beijing Bang Bang was a PRC limited liability company specialising in providing cyber security services. As at the Latest Practicable Date, Saidi Group was owned as to 50% by each of CCID and CSTC, both of which were set up and managed by the MIIT. As at the Latest Practicable Date, Beijing Bang Bang was owned as to approximately 9.1% by Dr. Kan, a non-executive Director, and 90.9% by 31 Independent Third Parties (three being individuals and 28 being limited companies or limited partnerships, each with not more than 12.9% interests in Beijing Bang Bang).

Our Company was established with an intention of engaging in the business of mobile applications' cyber vulnerability detection. However, the cooperation between Saidi Group and Beijing Bang Bang did not proceed as expected and our Company had not commenced any business operation until the Management Group invested in our Company in March 2018. Back in mid-2017 when Saidi Group was planning to develop a testing and simulation system of ICV algorithm, it invited the Management Group through Ms. Ma to research on the development of such system. Saidi Group became acquainted with Ms. Ma through previous business interactions. Ms. Ma, Mr. Hu and Mr. He became acquainted with each other through previous business cooperation or introduction by friends. Having already acquired and accumulated abundant relevant experience in the technology-related industries and in view of the potential of the ICV testing industry, as well as the future support that might be offered by Saidi Group, being an entity under the MIIT, which governs the ICV testing industry, the Management Group commenced the R&D of our proprietary core technologies and testing tools, including the predecessor of *Sim Pro* in mid-2017. To commercialise the R&D results, in March 2018, the Management Group invested in our Company with their personal funds and commenced our ICV testing-related business operations. Instead of setting up a new company, the Management Group was of the view that the mixed ownership structure of our Company, benefitting from business resources of our SOE shareholders, is conducive to the development of our Company. For details of the Management Group, please refer to "Directors, Supervisors and senior management" in this prospectus.



## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On 15 March 2018, Beijing Bang Bang transferred 44.0% of equity interests in our Company to Space Technology at a consideration of RMB440,000, which was equivalent to the amount of registered capital of our Company being transferred. The consideration was fully settled on 23 May 2018. Immediately after the transfer, the shareholding structure of our Company was as follows:

Shareholders	Registered capital (RMB'000)	Approximate equity interests (%)
Space Technology	440	44.0
Saidi Group	510	51.0
Beijing Bang Bang	50	5.0
<b>Total</b>	<b>1,000</b>	<b>100.0</b>

Space Technology has been serving as an investment holding platform of the Management Group. Each of Mr. Hu, Ms. Ma and Mr. He (through his nominee interest) became a shareholder of Space Technology on 25 January 2018. Mr. He's interest in Space Technology was held through an entrustment arrangement between Mr. He and his nominee, an employee of our Group and an Independent Third Party, for Mr. He's own administrative convenience. Through transactions on 31 January 2019 and 19 November 2020, Mr. He became a registered shareholder of all of his equity interest in Space Technology upon transfer of all of his nominee interest to himself under his own name at nil consideration. There has been no change in the shareholding of Space Technology since 20 November 2020. Mr. Hu has been a director and the legal representative of Space Technology and Ms. Ma has been a supervisor of Space Technology since 25 January 2018. As at the Latest Practicable Date, Space Technology was wholly owned by the Management Group as to approximately 64.1%, 25.6% and 10.3% by Mr. Hu, Ms. Ma and Mr. He, respectively.

### *2018 capital increase*

On 26 June 2018, the registered capital of our Company increased by RMB40,800 from RMB1,000,000 to RMB1,040,800, of which Space Technology and Beijing Bang Bang subscribed for RMB38,800 and RMB2,000, respectively, which were equivalent to the amount of registered capital of our Company being allotted. The subscription was fully settled on 23 May 2018. Immediately after this capital increase, our Company was owned by Space Technology, Saidi Group and Beijing Bang Bang as to 46.0%, 49.0% and 5.0%, respectively.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *2018 equity transfer, 2019 capital increase and establishment of Employee Incentive Platform*

On 27 November 2018, Saidi Group transferred all of its equity interests in our Company, representing 49.0% of equity interests in our Company, to Saidi Testing, a wholly-owned subsidiary of Saidi Group due to its internal restructuring, at nil consideration.

Pursuant to a capital increase agreement dated 26 September 2019 entered into among Saidi Testing, Space Technology, Beijing Bang Bang and Tongda, the registered capital of our Company increased by RMB346,900 from RMB1,040,800 to RMB1,387,700. Space Technology and Tongda, a limited partnership being our Employee Incentive Platform established in July 2019, agreed to subscribe for the increased registered capital of RMB69,400 and RMB277,500 at the consideration of RMB666,700 and RMB2,666,700, respectively. The considerations were determined based on arm's length negotiation between the parties with reference to the valuation of our Company's assets and liabilities as at 30 April 2019 as appraised by an Independent Third Party valuer, and were fully settled on 18 November 2019. Tongda's portion of consideration was settled by Space Technology on behalf of Tongda (as an interest-free loan from Space Technology to Tongda) and will be repaid by Tongda when it receives sufficient dividend from our Company for the repayment. For details of Tongda, please refer to "Employee Incentive Scheme" in this section below. Immediately after these equity transfer and capital increase, the shareholding structure of our Company was as follows:

Shareholders	Registered capital (RMB'000)	Approximate equity interests (%)
Space Technology	548.2	39.5
Saidi Testing	510	36.8
Beijing Bang Bang	52	3.7
Tongda	277.5	20.0
<b>Total</b>	<b>1,387.7</b>	<b>100.0</b>

### *Establishment of our Shanghai Branch*

On 10 October 2019, a branch of our Company was established in Shanghai, the PRC. The person-in-charge of the branch is Mr. Yang Qiang (楊強) and it principally engages in R&D of ICV testing-related solutions.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *2020 Financing*

Pursuant to the capital increase agreement dated 10 January 2020 entered into among Saidi Testing, Space Technology, Beijing Bang Bang, Tongda and GQC Zhiyuan, the registered capital of our Company increased by RMB69,385 from RMB1,387,700 to RMB1,457,085. GQC Zhiyuan agreed to subscribe for the increased registered capital of RMB69,385 at the consideration of RMB5 million, which was determined based on arm's length negotiation between the parties with reference to the status and prospects of our business development, and was fully settled on 9 March 2020. Upon completion of the 2020 Financing, the shareholding structure of our Company was as follows:

Shareholders	Registered capital (RMB'000)	Approximate equity interests (%)
Space Technology	548.2	37.6
Saidi Testing	510	35.0
Beijing Bang Bang	52	3.6
Tongda	277.5	19.0
GQC Zhiyuan	69.385	4.8
<b>Total</b>	<b>1,457.085</b>	<b>100.0</b>

For further details of the 2020 Financing and GQC Zhiyuan, please refer to “Pre-IPO Investments” in this section below.

### *Series A Financing*

Pursuant to a capital increase agreement dated 1 July 2021 entered into between our Company, Beijing Shunyi, Hubble, Beijing Cornerstone, CITICS Investment and Jingwei Hengrun, and supplemented by an agreement between our Company, Space Technology, Tongda and Hubble dated 1 July 2021, the registered capital of our Company increased by RMB257,135 from RMB1,457,085 to RMB1,714,220. Each of the Series A Investors agreed to subscribe for an increased registered capital of RMB51,427 (each “**Series A Allocated Capital**”) at a consideration of RMB30 million for each Series A Allocated Capital. The considerations were determined based on arm's length negotiation between the parties with reference to the status and prospects of our business development, and were settled throughout the course of July 2021 with the last payment made on 30 July 2021. For further details of the Series A Financing and the Series A Investors, please refer to “Pre-IPO Investments” in this section below.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of the Series A Financing, the shareholding structure of our Company was as follows:

Shareholders	Registered capital (RMB'000)	Approximate equity interests (%)
Space Technology	548.2	32.0
Saidi Testing	510	29.8
Beijing Bang Bang	52	3.0
Tongda	277.5	16.2
GQC Zhiyuan	69.385	4.0
Beijing Shunyi	51.427	3.0
Hubble	51.427	3.0
Beijing Cornerstone	51.427	3.0
CITICS Investment	51.427	3.0
Jingwei Hengrun	51.427	3.0
<b>Total</b>	<b>1,714.22</b>	<b>100.0</b>

### *Series A+ Financing*

Pursuant to the capital increase agreements dated 7 March 2022 and 12 May 2022 entered into between our Company and GQC Junhe, and our Company and Zhongguancun, respectively, the registered capital of our Company increased by RMB102,854 from RMB1,714,220 to RMB1,817,074. Each of the Series A+ Investors agreed to subscribe for an increased registered capital of RMB51,427 (each “**Series A+ Allocated Capital**”) at a consideration of RMB66 million for each Series A+ Allocated Capital. The considerations were determined based on arm’s length negotiation between the parties with reference to the status and prospects of our business development, and were settled on 21 March 2022 and 13 May 2022, respectively. For further details of the Series A+ Financing and the Series A+ Investors, please refer to “Pre-IPO Investments” in this section below.

Upon completion of the Series A+ Financing, the shareholding structure of our Company was as follows:

Shareholders	Registered capital (RMB'000)	Approximate equity interests (%)
Space Technology	548.2	30.2
Saidi Testing	510	28.1
Beijing Bang Bang	52	2.9

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholders	Registered capital (RMB'000)	Approximate equity interests (%)
Tongda	277.5	15.3
GQC Zhiyuan	69.385	3.8
Beijing Shunyi	51.427	2.8
Hubble	51.427	2.8
Beijing Cornerstone	51.427	2.8
CITICS Investment	51.427	2.8
Jingwei Hengrun	51.427	2.8
GQC Junhe	51.427	2.8
Zhongguancun	51.427	2.8
<b>Total</b>	<b>1,817.074</b>	<b>100.0</b>

### *Conversion into a joint stock company with limited liability*

On 16 October 2022, our Company passed related resolutions approving, among other things, the conversion of our Company from a limited liability company into a joint stock company. Upon completion of registration with Beijing Municipal Administration for Market Regulation\* (北京市市場監督管理局) on 8 November 2022, our Company was converted into a joint stock company with limited liability and was renamed as Beijing Saimo Technology Co., Ltd. (北京賽目科技股份有限公司). Upon the conversion, the share capital of our Company became RMB100,000,000 divided into 100,000,000 Shares with a nominal value of RMB1.0 each, which were issued to our equity owners at that time in proportion to their respective equity interests in our Company immediately before the conversion.

### **PRC Legal Advisers' confirmation**

As advised by our PRC Legal Advisers, all of the historical equity transfers, capital increases and conversion into a joint stock company with limited liability of our Company as disclosed above have been validly completed and the procedures involved for the registration of change of company as required under applicable PRC laws have been completed.

### **Employee Incentive Scheme**

In recognition of the contributions of our employees and to incentivise them to further promote our development, Tongda, a limited partnership established in the PRC, was established as our Employee Incentive Platform on 24 July 2019. Upon its establishment, Tongda was owned as to 50.0% by each of Mr. He and Ms. Ma, and Ms. Ma was the executive partner. The capital subscription amount of each of Mr. He and Ms. Ma was RMB0.5 million each and the amount was not paid up. Mr. Hu became the executive partner of Tongda and has been responsible for its management since 31 March 2021 upon completion of the alteration

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

of the partners' capital subscription ratio and the change of executive partner. Ms. Ma transferred her 50% interests in Tongda with no consideration to Mr. Hu, and Mr. He transferred certain of his interests in Tongda to each of the then employee participants of the Employee Incentive Scheme with a consideration of RMB1.0 each. Since then, Tongda was owned as to 50.0% by Mr. Hu, approximately 43.0% by Mr. He, approximately 2.1% by Ms. Ma and the remaining of approximately 4.9% by other 25 employees/former employees of our Group (each holding less than 1% partnership interest in Tongda) until 12 October 2022, after which certain former employees left our Group, who transferred their interest in Tongda back to Mr. He pursuant to the terms of the Employee Incentive Scheme and ceased to be the limited partners of Tongda.

As at the Latest Practicable Date, Tongda owned approximately 15.3% of the equity interest in our Company, and Mr. Hu was the executive partner of Tongda and there were 16 limited partners in Tongda, details of which are set out as follows:

Name of partners	Position(s) in our Group	Capital subscription amount <sup>(Note 1)</sup> (RMB'000)	Approximate partnership interest in Tongda (%)
<i>Executive partner</i>			
Mr. Hu	Executive Director and chairman of the Board	500.0	50.0
<i>Limited partners</i>			
Ms. Ma	Executive Director and deputy general manager of our Company	21.0	2.1
Mr. He <sup>(Note 2)</sup>	Executive Director, Board secretary and general manager of our Company	441.3	44.1
Ms. Xue Na	Employee representative, Supervisor of our Company, and supervisor of Zhejiang Saimo and Saimo Automotive Testing	2.6	0.3
Mr. Yang Qiang	Deputy general manager of our Company	5.8	0.6

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of partners	Position(s) in our Group	Capital subscription amount <sup>(Note 1)</sup> (RMB'000)	Approximate partnership interest in Tongda (%)
Ms. Liang Jun	Chief financial officer of our Company and director of Zhejiang Fly	5.2	0.5
Dr. Xue Xiaoqing	Director of forward-looking division of our Company	4.7	0.5
10 other employees of our Group <sup>(Note 3)</sup>	Employees	19.3	1.9
<b>Total</b>		<b>1,000.0</b>	<b>100.0</b>

*Notes:*

- (1) The capital subscription amount of each partner of Tongda was not paid up as at the Latest Practicable Date and the amount shall be paid up by the respective partner by 1 July 2049.
- (2) Mr. He was interested in approximately 44.1% of Tongda's partnership interests, among which, approximately 3.1% of the partnership interests were awards granted to him under the Employee Incentive Scheme.
- (3) All other employees of our Group are Independent Third Parties and each holding less than 1% partnership interest in Tongda.

The executive partner of Tongda executes the partnership affairs, including exercising Tongda's shareholder rights in its invested enterprises and assuming the relevant civil obligations and liabilities in accordance with the PRC laws, on behalf of Tongda in accordance with the partnership agreement entered into among the executive partner and limited partners of Tongda. The executive partner of Tongda has at all times been a member of the Management Group for the purpose of managing Tongda as the Employee Incentive Platform.

The Employee Incentive Scheme was terminated pursuant to a resolution of our Shareholders on 25 August 2023, upon which, no further awards under the scheme will be granted but the provisions of the Employee Incentive Scheme shall remain in full force and effect in respects of the management of, as well as rights and obligations of the awards granted before the termination of the scheme.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Acting in concert arrangement*

Since Tongda has become a shareholder of our Company on 22 November 2019, Space Technology and Tongda (both of which have been in turn controlled by the Management Group) have been acting in concert in exercising the voting power at the shareholders' meetings of our Company. Specifically, in light of the above acting in concert understanding among the parties, Space Technology has exercised Tongda's voting power on behalf of Tongda at the shareholders' meetings of our Company until 20 May 2021. For the purpose of better corporate governance, since 21 May 2021, Tongda's voting power has been exercised by its executive partner by following the voting instructions of Space Technology at the shareholders' meeting of our Company. In order to formalise their voting arrangement, Space Technology and Tongda entered into a Concert Party Agreement on 8 October 2021, pursuant to which Tongda has acknowledged and confirmed that it has undertaken, among other things, to unilaterally follow the voting instructions of Space Technology to exercise its voting power and vote unanimously at the shareholders' meeting of our Company for so long as Tongda has been/is a Shareholder of our Company.

### **Our subsidiaries**

As at the Latest Practicable Date, our Company had three subsidiaries, namely Zhejiang Saimo, Zhejiang Fly and Saimo Automotive Testing.

#### ***Zhejiang Saimo***

Zhejiang Saimo was established in the PRC as a limited liability company on 19 April 2019 with an initial registered capital of RMB10 million. Since its establishment, Zhejiang Saimo has been directly wholly-owned by our Company and there has been no change in its registered capital and ownership structure.

Zhejiang Saimo has been engaging in the ICV testing-related business since 2019.

#### ***Zhejiang Fly***

Zhejiang Fly was established in the PRC as a limited liability company on 13 August 2021 with an initial registered capital of RMB13 million. Upon its establishment, Zhejiang Fly was owned as to 51.0% by Zhejiang Saimo and 49.0% by Hangzhou Technology Innovation Incubator Co., Ltd.\* (杭州科創孵化器有限公司), which was an SOE and was wholly-owned by Hangzhou Yuhang Urban Development Investment Group Co., Ltd.\* (杭州余杭城市發展投資集團有限公司), which was in turn owned as to 90.0% by Finance Bureau of Yuhang District, Hangzhou (State-owned Assets Supervision and Administration Office of the People's Government of Yuhang District, Hangzhou)\* (杭州市余杭區財政局(杭州市余杭區人民政府國有資產監督管理辦公室)) and 10.0% by Zhejiang Financial Development Co., Ltd.\* (浙江省財務開發有限責任公司) as at the Latest Practicable Date. There has been no change in the registered capital and ownership structure in Zhejiang Fly since its establishment.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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Zhejiang Fly's principal activities are drone testing-related technology development, advisory and services. Zhejiang Fly commenced business operations in the second half of 2021.

### *Saimo Automotive Testing*

Saimo Automotive Testing was established in the PRC as a limited liability company on 16 March 2022 with an initial registered capital of RMB1 million. Upon its establishment, Saimo Automotive Testing was owned as to 80.0% by our Company and 20.0% by Beijing Jinyi New Energy Technology Co., Ltd.\* (北京進益新能源科技有限公司), which was owned as to 60.0% by Mr. Yang Hui (楊慧) and 40.0% by Mr. Yuan Changyong (袁昌勇), two Independent Third Parties, as at the Latest Practicable Date. There has been no change in its registered capital and ownership structure since its establishment.

Saimo Automotive Testing's principal activities are ICV testing and related services. Saimo Automotive Testing commenced business operations in the second half of 2022.

### **Our investments**

As at the Latest Practicable Date, our Company had made investments in two companies, namely Beijing Dysprosium and Guoqi Intelligent Control.

### *Beijing Dysprosium*

Beijing Dysprosium was established in the PRC as a limited liability company on 12 April 2021 with an initial registered capital of RMB1 million. Upon its establishment, Beijing Dysprosium was owned as to 49.0% by our Company and 51.0% by Industrial Information Equipment Engineering Research Institute (Beijing) Co., Ltd.\* (工信裝備工程研究院(北京)有限公司) (“**Beijing EIDC**”), which was an SOE wholly-owned by the MIIT-EIDC and an Independent Third Party. There has been no change in the registered capital and ownership structure in Beijing Dysprosium since its establishment.

Beijing Dysprosium was established with an aim to providing upcoming data platform-related services in relation to vehicle integrated application service system on government platform. Beijing Dysprosium commenced business operations in April 2022. Our Company collaborated with a public institution established by the PRC government in applying for a government-commissioned project to build an ICV Data Interaction and Comprehensive Application Public Service Platform\* (智能網聯汽車數據交互與綜合應用公共服務平台) in 2020. To further strengthen our cooperation with such public institution, Beijing Dysprosium was established as a joint venture of our Company and Beijing EIDC. Our Directors are of the view that the cooperation could strengthen our strategic layout, enhance our relationship with enterprises in the industry, support our existing business and provide support for our further development.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Guoqi Intelligent Control*

Guoqi Intelligent Control was established in the PRC as a limited liability company on 31 July 2020. As at the Latest Practicable Date, Guoqi Intelligent Control had a registered capital of RMB77,275,115 and was owned as to approximately 3.7% by our Company and approximately 96.3% by 22 Independent Third Parties. Since its establishment, save that Mr. He was its supervisor as at the Latest Practicable Date, our Company has not been involved in its management and operations.

Guoqi Intelligent Control principally engages in the business of ICV technology development. It is a joint venture company with Guoqi (Beijing) Intelligent Connected Vehicle Research Institute Co., Ltd\* (國汽(北京)智能網聯汽車研究院有限公司) (“**Guoqi Research**”) as its ultimate largest shareholder. Guoqi Research was initiated and established by Society of Automotive Engineers of China\* (中國汽車工程學會), China Automobile Manufacturers Association\* (中國汽車工業協會) and China Industry Innovation Alliance for the Intelligent and Connected Vehicles\* (中國智能網聯汽車產業創新聯盟) in 2018 and its shareholders are enterprises and scientific research institutions in the fields of vehicle, spare parts, and information and communication. With the backing of Guoqi Research, Guoqi Intelligent Control has advantages in ICV policy understanding and expert resources. Our Directors are of the view that Guoqi Intelligent Control, as our strategic partner, can provide sustainable support for our medium and long term development. We collaborated with Guoqi Research on a technology development project in relation to scenario database from September 2019 to June 2020. In view of the opportunity to participate in the establishment of Guoqi Intelligent Control, our Company invested into Guoqi Intelligent Control together with other investors in July 2020.

### PRE-IPO INVESTMENTS

Our Company obtained several rounds of investments from the Pre-IPO Investors through subscriptions for increased registered capital of our Company. For further details, please refer to “Our corporate history and development – Our Company” in this section above.

#### Principal terms of the Pre-IPO Investments

A summary of the principal terms of the Pre-IPO Investments is set forth below:

		2020 Financing	Series A Financing	Series A+ Financing
Name(s) of the Pre-IPO Investor(s)	:	GQC Zhiyuan	Beijing Shunyi Hubble Beijing Cornerstone CITICS Investment Jingwei Hengrun	GQC Junhe Zhongguancun

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

		2020 Financing	Series A Financing	Series A+ Financing
<b>Date of agreement</b>	:	10 January 2020	1 July 2021	GQC Junhe: 7 March 2022 Zhongguancun: 12 May 2022
<b>Date of investment</b> <sup>(Note 1)</sup>	:	15 May 2020	22 September 2021	9 June 2022
<b>Amount of consideration paid</b>	:	RMB5 million	RMB150 million	RMB132 million
<b>Payment date of the full consideration</b>	:	9 March 2020	Beijing Shunyi: 22 July 2021 Hubble: 30 July 2021 Beijing Cornerstone: 14 July 2021 CITICS Investment: 15 July 2021 Jingwei Hengrun: 5 July 2021	GQC Junhe: 21 March 2022 Zhongguancun: 13 May 2022
<b>Investment cost per Share paid</b>	:	RMB1.3	RMB10.6	RMB23.3
<b>Amount of increased registered capital</b>	:	RMB69,385	RMB257,135	RMB102,854
<b>Implied post-money valuation</b> <sup>(Note 2)</sup>	:	Approximately RMB105 million	Approximately RMB1,000 million	Approximately RMB2,332 million
<b>Discount to mid-point of the Offer Price range</b> <sup>(Note 3)</sup>	:	90.6%	23.6%	-68.0%
<b>Basis of determination of the consideration</b>	:	Arm's length negotiation between the parties with reference to the status and prospects of our business development		
<b>Shareholding in our Company after completion of the Pre-IPO Investments and immediately before the Global Offering</b>	:	3.8%	2.8% each	2.8% each
<b>Shareholding in our Company immediately after the Global Offering</b> <sup>(Note 4)</sup>	:	2.9%	2.1% each	2.1% each

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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	2020 Financing	Series A Financing	Series A+ Financing
<b>Use of proceeds and whether they have been fully utilised</b>	:	The proceeds have been used to support the R&D activities conducted for our products and services, business expansion, capital expenditure as well as to meet the working capital needs of our Group.	
<b>Strategic benefits to our Company</b>	:	<p>As at the Latest Practicable Date, 100% of the net proceeds from the Pre-IPO Investors had been utilised.</p> <p>At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital provided by the Pre-IPO Investments in our Company and the Pre-IPO Investors' knowledge and experience. Their investments also signified their confidence in our business and operations and served as an endorsement of our performance, strengths and prospects.</p> <p>Our Directors believe that our Group may be able to leverage on the business network and connections of the Pre-IPO Investors to broaden our customer base and explore more business opportunities for our Group.</p>	

*Notes:*

- (1) The date was the date of completion of registration of the Pre-IPO Investment.
- (2) The implied post-money valuation is calculated based on the amount of consideration paid in each round of the Pre-IPO Investment and the corresponding proportion of equity interests in our Company purchased by the Pre-IPO Investors in such rounds of Pre-IPO Investment.
- (3) For illustration purpose only. Calculated on the basis of the Offer Price of HK\$15.0, the mid-point of the indicative Offer Price range of HK\$12.0 and HK\$18.0, and based on the currency conversion rate of RMB0.9244:HK\$1.
- (4) Based on the enlarged issued Share capital of our Company immediately upon completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### Information regarding the Pre-IPO Investors

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, save as disclosed below, all the Pre-IPO Investors are Independent Third Parties.

The information of our Pre-IPO Investors are set out below:

#### *GQC Zhiyuan*

GQC Zhiyuan is a limited partnership established under the laws of the PRC with its general partner being Mr. Li Ren (李韜). As at the Latest Practicable Date, Mr. Li Ren (李韜) and Mr. Liu Jiang (劉江) owned as to approximately 59.4% and 39.6% partnership interests in GQC Zhiyuan, respectively. GQC Zhiyuan focuses on equity investment in technology innovation enterprise with hard technology, key segments of the industrial chain and good market prospects. GQC Zhiyuan was referred to our Company by a personal friend of Ms. Ma in 2019.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company and Dr. Cao Gang (曹崗) being a Supervisor and a former Director of our Company nominated by GQC Zhiyuan, GQC Zhiyuan and its ultimate beneficial owners are independent from our Company and our connected persons.

#### *Beijing Shunyi*

Beijing Shunyi is an SOE which was established to promote the integration of high-quality assets and allocate innovative resources by market means. As at the Latest Practicable Date, Beijing Shunyi is owned as to approximately 73.4% and 26.6% by State-owned Assets Supervision and Administration Commission of the People's Government of Shunyi District, Beijing\* (北京市順義區人民政府國有資產監督管理委員會) and Beijing Shunyi Investment Fund Co., Ltd.\* (北京順義投資基金有限責任公司), respectively. Beijing Shunyi is a market-oriented platform focusing on investment, services and management activities which facilitate innovation-driven development in science and technology, industrial structure transformation and upgrading of Shunyi district. Our Company became acquainted with Beijing Shunyi when Customer A, its subsidiary, became our customer in 2019.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company, purchases of our ICV simulation testing platforms by its subsidiary (being one of our top five customers in FY2021), and its entrusting of the operational services of the Shunyi Testing Site to our Group through one of its subsidiaries, Beijing Shunyi and its ultimate beneficial owners are independent from our Company and our connected persons.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *Hubble*

Hubble is a limited liability company established under the laws of the PRC and is wholly-owned by Huawei Investment Holding Co., Ltd.\* (華為投資控股有限公司). Hubble is a venture capital institution.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company and the technical and business cooperation between our Group and its fellow subsidiary group (being one of our top five customers during FY2021, FY2022 and FY2023), Hubble and its ultimate beneficial owner(s) are independent from our Company and our connected persons.

### *Beijing Cornerstone*

Beijing Cornerstone is a limited partnership established under the laws of the PRC with its general partner being Beijing Cornerstone Venture Capital Management Centre (Limited Partnership)\* (北京基石創業投資管理中心(有限合夥)) (“**Beijing Cornerstone Management Centre**”), the general partner of which is Beijing Jianyuan Investment Management Co., Ltd.\* (北京鑒遠投資管理有限公司) (“**Beijing Jianyuan**”). As at the Latest Practicable Date, Beijing Cornerstone was owned as to approximately 23.0% and 22.0% by Metro Land Corporation Ltd. (京投發展股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600683)) and Beijing Science and Technology Innovation Fund (Limited Partnership)\* (北京市科技創新基金(有限合夥)), respectively, and each of the remaining partners of Beijing Cornerstone owned less than 15% partnership interest in Beijing Cornerstone; Beijing Cornerstone Management Centre was owned as to approximately 60% and 35% by Beijing Jianyuan and Beijing Cornerstone Fund Management Co., Ltd.\* (北京基石基金管理有限公司), respectively; and Beijing Jianyuan was owned as to approximately 54.5% by Mr. Huang Libo (黃力波), founder of the Beijing Cornerstone Management Centre, and each of the remaining shareholders of Beijing Jianyuan owned less than 20% equity interest in Beijing Jianyuan. Beijing Cornerstone was established in August 2020 with a fund size of RMB500 million. Beijing Cornerstone is a private equity venture capital fund with focus on investment in emerging industries such as railtransit, advanced equipment manufacturing and IT. Our Company became acquainted with Beijing Cornerstone through a business acquaintance of Ms. Ma in 2018.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company, Beijing Cornerstone and its ultimate beneficial owner(s) are independent from our Company and our connected persons.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *CITICS Investment*

CITICS Investment is a limited liability company established under the laws of the PRC and is wholly owned by CITIC Securities Company Limited (中信証券股份有限公司), a listed company on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030). CITICS Investment principally engages in financial product investment, securities investment and equity investment. Our Company became acquainted with CITICS Investment through business consultation in 2021.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company, CITICS Investment and its ultimate beneficial owner(s) are independent from our Company and our connected persons.

### *Jingwei Hengrun*

Jingwei Hengrun is a joint stock limited liability company established under the laws of the PRC and as at the Latest Practicable Date, the shares of which are listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688326). Jingwei Hengrun is a technology service provider of automotive electronic system. Its main business areas include, but are not limited to, research, development and production of electronic products, engineering consultation, autonomous driving operation, intelligent driving, internet of vehicles, new energy. Jingwei Hengrun was referred to our Company by a personal friend of Mr. He in 2018.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company, Jingwei Hengrun was, together with one of its subsidiaries, our customer for our ICV simulation testing software and platforms and our ICV testing and related services for FY2022, and our ICV testing and related services for FY2023. The products and services we sold to Jingwei Hengrun mainly included (i) standalone *Sim Pro* and *Safety Pro* software products; and (ii) ICV testing and related services. Further, during the Track Record Period, we acquired equipment, intangible assets and related services from Jingwei Hengrun mainly for R&D purposes and in relation to the performance of government-commissioned projects. Such equipment, intangible assets and related services mainly comprised certain simulation testing hardware and software that we do not manufacture and related customised services, including, among others, HiL testing hardware and HiL testing software, and data tracing related solutions. Our Directors confirm that our transactions with Jingwei Hengrun were on normal commercial terms considering contract terms of other transactions of our Group of similar nature and there were no pre-conditions on the aforesaid purchases by Jingwei Hengrun from us. Jingwei Hengrun has also been one of our distributors since February 2023. Notwithstanding the aforesaid relationship, Jingwei Hengrun is an Independent Third Party.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### *GQC Junhe*

GQC Junhe is a limited partnership established under the laws of the PRC with its general partner being Jiangxi Huiyunjie Industrial Co. Ltd.\* (江西省匯雲傑實業有限公司) (“**Jiangxi Huiyunjie**”). As at the Latest Practicable Date, GQC Junhe was owned as to 98.3% by Nanchang Daohong Industrial Co. Ltd.\* (南昌道宏實業有限公司) (“**Nanchang Daohong**”). GQC Junhe focuses on equity and private placement investments in the secondary market in key sectors such as semiconductors, aerospace and autonomous driving. As at the Latest Practicable Date, the ultimate beneficial owner of Jiangxi Huiyunjie was Nanchang State-owned Assets Supervision and Administration Commission\* (南昌市國有資產監督管理委員會) (the “**Nanchang Commission**”), and Nanchang Daohong was ultimately owned as to approximately 90% by the Nanchang Commission and 10% by Jiangxi Administrative Enterprise Assets Group Co., Ltd.\* (江西省行政事業資產集團有限公司), which was ultimately owned by the Department of Finance of Jiangxi Province\* (江西省財政廳). Our Company became acquainted with GQC Junhe in 2022 through one of our Group’s business partners.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company, GQC Junhe and its ultimate beneficial owner(s) are independent from our Company and our connected persons.

### *Zhongguancun*

Zhongguancun is a limited partnership established under the laws of the PRC with its general partner being Beijing Zhongguancun Science City Science Investment Management Co., Ltd.\* (北京中關村科學城科技投資管理有限公司) (“**Zhongguancun Management**”). As at the Latest Practicable Date, Zhongguancun was owned as to approximately 99% by Beijing Haidian District State-owned Assets Investment Group Co. Ltd.\* (北京市海淀區國有資產投資集團有限公司). Zhongguancun’s business involves investment management, asset management and investment consultation, with its current investments focusing on scientific research and technology services, information transmission, software and IT services industries. As at the Latest Practicable Date, the ultimate beneficial owner of Zhongguancun Management was State-owned Assets Supervision and Administration Commission of Haidian District People’s Government of Beijing\* (北京市海淀區人民政府國有資產監督管理委員會). Zhongguancun became acquainted with us through the lists of Specialised, Sophisticated, Special and New “Little Giant” Enterprises of Beijing\* (北京市專精特新「小巨人」企業) and Specialised, Sophisticated, Special and New “Little Giant” Enterprises\* (專精特新「小巨人」企業) (issued by the MIIT).

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, other than its investment in our Company, Zhongguancun and its ultimate beneficial owner(s) are independent from our Company and our connected persons.

### Special rights of the Pre-IPO Investors

Pursuant to the series A capital increase agreement dated 1 July 2021 (as supplemented and amended) and entered into between our Company and the Series A Investors, and the shareholders' agreement of our Company dated 1 July 2021 ("**July 2021 Shareholders' Agreement**") (as supplemented and amended) and entered into among Mr. Hu, the then Shareholders of our Company and our Company, the Series A Investors had been granted certain special rights, including, among others, information rights, consent rights, right of first-refusal, co-sale rights, notification and pre-emption rights, observer nomination rights, redemption rights and liquidation rights. Pursuant to the special supplemental agreement executed on 31 December 2021 to the July 2021 Shareholders' Agreement, the redemption rights under the July 2021 Shareholders' Agreement were cancelled with effect from 31 December 2021. Moreover, pursuant to the special rights annulment agreement dated 30 August 2022 entered into between, among others, our Company and the Series A Investors, other special rights granted to the Series A Investors will be terminated upon our Company's first submission of the Listing application to authorised securities regulation and administration institutions or stock exchanges, whichever is earlier. There was no special right granted to GQC Zhiyuan and the Series A+ Investors.

### Sole Sponsor's view

On the basis that (a) the settlement of the considerations for the Pre-IPO Investments complies with the requirements from the Stock Exchange under the Guide for New Listing Applicants; and (b) all special rights which have been granted to the Pre-IPO Investors have been terminated upon our Company's submission of the Listing application, the Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with Chapter 4.2 (Pre-IPO Investments) of the Guide for New Listing Applicants.

### LOCK-UP AND PUBLIC FLOAT

Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors and the Controlling Shareholders) could not dispose of any of the Shares held by them.

The Unlisted Shares held by all existing Shareholders, representing all of our total issued Shares as at the Latest Practicable Date will not be considered as part of the public float and the Shares held by the aforesaid Shareholders will not be converted into H Shares upon the Listing.

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and 33,333,400 H Shares are allotted and issued to public Shareholders in the Global Offering, and based on an Offer Price of HK\$12.0 per Offer Share (being the low-end of the indicative Offer Price range), the total number of H Shares of our Company held by the public represents 25.0% of the total number of issued Shares of our Company and our Company will have a market capitalisation of at least HK\$400.0 million held by the public. Therefore, our Company will be able to meet the minimum public float requirement under Rules 8.08 of the Listing Rules.

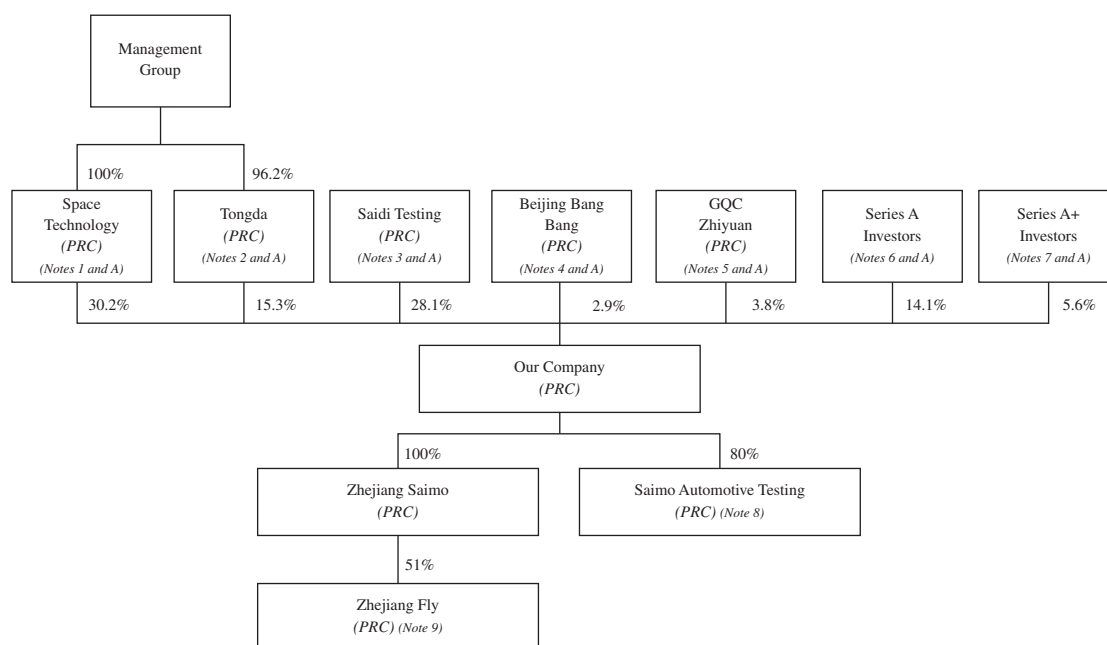
# HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

## ACQUISITIONS, MERGERS AND DISPOSALS

Throughout the Track Record Period and as at the Latest Practicable Date, we did not conduct any acquisitions, mergers or disposals.

## CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our corporate and shareholding structure immediately before completion of the Global Offering:



### Notes:

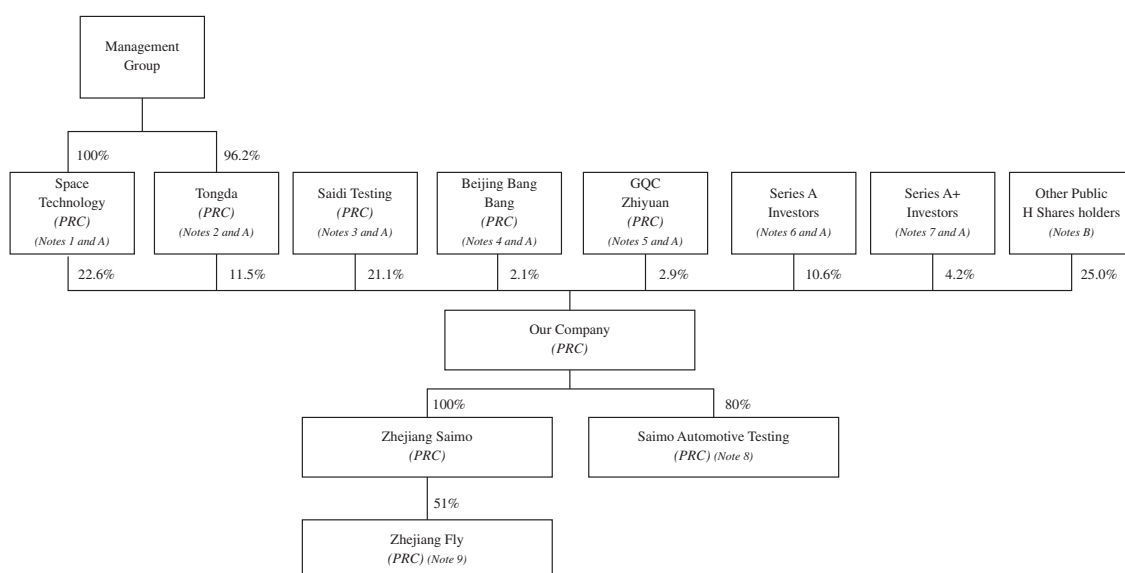
- (1) As at the Latest Practicable Date, Space Technology was owned by the Management Group as to approximately 64.1%, 25.6% and 10.3% by Mr. Hu, Ms. Ma and Mr. He, respectively.
- (2) Tongda is a limited partnership established in the PRC which serves as our Employee Incentive Platform for implementing of our Employee Incentive Scheme. As at the Latest Practicable Date, Tongda was owned as to approximately 50.0% by Mr. Hu, approximately 44.1% by Mr. He, approximately 2.1% by Ms. Ma and the remaining of approximately 3.8% by 14 other employees of our Group. Pursuant to the Concert Party Agreement dated 8 October 2021 and entered into between Space Technology and Tongda, Tongda has acknowledged and confirmed that it has undertaken, among other things, to unilaterally follow the voting instructions of Space Technology to exercise its voting power and vote unanimously at the Shareholders meeting of our Company during the period Tongda being a Shareholder of our Company. For details, please refer to “Our corporate history and development – Employee Incentive Scheme” in this section above.
- (3) As at the Latest Practicable Date, Saidi Testing was wholly owned by Saidi Group, which was owned as to 50% by each of CCID and CSTC, both of which were set up and managed by the MIIT.
- (4) As at the Latest Practicable Date, Beijing Bang Bang was owned as to approximately 9.1% by Dr. Kan, a non-executive Director, and 90.9% by 31 Independent Third Parties.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (5) Please refer to “Pre-IPO Investments – Information regarding the Pre-IPO Investors” in this section above for details of GQC Zhiyuan and its relationship with our Company.
  - (6) Please refer to “Pre-IPO Investments – Information regarding the Pre-IPO Investors” in this section above for details of the Series A Investors and their relationship with our Company.
  - (7) Please refer to “Pre-IPO Investments – Information regarding the Pre-IPO Investors” in this section above for details of the Series A+ Investors and their relationship with our Company.
  - (8) The minority shareholder which owned as to 20% of Saimo Automotive Testing was Beijing Jinyi New Energy Technology Co., Ltd.\* (北京進益新能源科技有限公司). Please refer to “Our corporate history and development – Our subsidiaries – Saimo Automotive Testing” in this section above for further details.
  - (9) The minority shareholder which owned as to 49.0% of Zhejiang Fly was Hangzhou Technology Innovation Incubator Co., Ltd.\* (杭州科創孵化器有限公司). Please refer to “Our corporate history and development – Our subsidiaries – Zhejiang Fly” in this section above for further details.
- (A) Our Shares held by these Shareholders are Unlisted Shares.

### CORPORATE STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our corporate and shareholding structure immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



#### Notes:

Please refer to the respective notes under “Corporate structure immediately before completion of the Global Offering” in this section above.

(A) Our Shares held by these Shareholders are Unlisted Shares.

(B) The Shares to be held by these Shareholders are H Shares.

### OVERVIEW

#### Who we are

We are a technology company in the PRC focusing on ICV simulation testing technologies, and primarily engaged in the design and R&D of ICV simulation testing products and the provision of related testing, validation and evaluation solutions. We also started to extend the applications of our technologies in other industries. Our customers primarily include the governments and SOEs, and renowned automotive manufacturers and technology companies in the PRC. According to F&S, we are the largest market player in China's ICV testing, validation and evaluation solutions industry with a market share of approximately 5.3% in terms of revenue in 2023, and the largest market player in China's ICV simulation testing software and platforms market with a market share of approximately 5.9% in terms of revenue in 2023.

We have developed technological capabilities in ICV testing, validation and evaluation through innovation. In 2018, we independently developed and commercially launched the first basic version of our ICV simulation testing, validation and evaluation tool chain – *Sim Pro*, which has allowed us to provide ICV simulation tests and related services for our customers. With continuous upgrading of *Sim Pro*, the first relatively advanced and comprehensive version of *Sim Pro* available for independent use by third parties was sold in 2020. In June 2021, *Sim Pro* passed the functional safety certification at ASIL D under the international standard ISO 26262, making it the first ICV simulation testing, validation and evaluation tool chain in the world to have obtained the highest-level functional safety certification, according to F&S. According to F&S, *Sim Pro* emerged as a significant domestic alternative to imported ICV simulation testing software and with it, China no longer needed to rely heavily upon the ICV simulation testing software developed by foreign enterprises. It also gives us first-mover advantage in China's ICV simulation testing market. Further, in 2021, we also independently developed our FuSa and SOTIF analysis tool for ICVs – *Safety Pro*, which obtained the ISO 26262 TCL 2 certification in July 2023. As such, we are capable of providing integrated solutions that combine safety analysis and simulation testing functions.

In 2021, we successfully launched China's first cloud-based ICV simulation testing platform jointly with the Relevant Customer, which is capable of realising cloud deployment of safety analysis and simulation testing, and is capable of greatly increasing the testing efficiency by parallel and accelerated computing capabilities of the cloud platform.

In recognition of our innovation capabilities, we have been awarded a number of awards and certifications by government authorities in the PRC, including the Key Software Enterprise\* (重點軟件企業), the Specialised, Sophisticated, Special and New “Little Giant” Enterprise\* (專精特新「小巨人」企業) (issued by the MIIT), the Specialised, Sophisticated, Special and New “Little Giant” Enterprise of Beijing\* (北京市專精特新「小巨人」企業), and the National and Zhongguancun High and New Technology Enterprise\* (國家級和中關村高新技術企業).

### **Breakthroughs in simulation technology are pivotal to the intelligent transformation and upgrade of China's automotive industry**

Simulation technology is the simulation modelling technology that employs simulation hardware and software and utilises mathematical methods to digitally imitate the characteristics and behaviours of real-world systems or processes. Simulation software belongs to a subsegment of industrial software, and is the key technology to promote the transformation and upgrade of the automotive industry.

With the enhanced intelligence level of automotives, the R&D processes of automotives technologies are becoming increasingly complex and the pressure on controlling the automotive's development costs and the product cycle is increasingly high. The traditional testing, validation and evaluation methods are no longer sufficient to support the R&D of many new technologies associated with automotive safety, which requires the development of simulation testing, validation and evaluation software applicable to the entire product cycle of intelligent automotive products.

Vehicle simulation testing uses simulation technologies to construct relatively realistic driving scenarios to test and validate the functional completeness and safety of the vehicles in simulated testing environments.

Generally speaking, the development of an intelligent driving system of an automotive needs to go through XiL simulation testing, testing at closed-course sites, and finally, large-scale road testing at open roads. As compared to physical vehicle testing at closed-course sites or open roads, simulation testing can achieve a large number of vehicle tests in shorter time, in more extreme scenarios, and in a safer environment. For more details on the XiL simulation testing methods, please refer to “Our core technologies – *Sim Pro*” in this section below.

As such, the development of and breakthroughs in simulation technologies are imperative to the design, R&D and manufacturing of intelligent vehicles. Further, the vehicle simulation industry in China has been dominated by simulation solutions providers from Germany and the U.S. since the early development stage of the industry. We therefore believe that the development of domestic reliable simulation software is crucial for the intelligent transformation and upgrade of China's vehicle industry.

**SOTIF is key to ensuring the safety of ICVs**

According to the statistics of the National Highway Traffic Safety Administration of the U.S., a vast majority of traffic crashes are caused by human error; hence, it is of great significance for intelligent vehicles to replace human drivers with machines to improve the driving safety. However, existing technologies are still insufficient to fully achieve the safety benefits of intelligent vehicles. Further, new safety requirements such as SOTIF have emerged alongside the introduction of intelligent vehicles. SOTIF specifically refers to the mitigation of safety risks resulting from insufficiencies, limitations or weaknesses in the design and/or intended functionalities of the vehicles when they encounter external triggering events (such as environmental disturbances or human misuse). As the intelligence and complex level of intelligent automotive systems keeps growing and their driving environments become increasingly complex and challenging, SOTIF has become key to ensuring the safety of ICVs.

Effective SOTIF analysis tools can help developers to identify and analyse potential functional deficiencies, triggering events and SOTIF-related hazards of intelligent vehicles in known and unknown driving scenarios in a much more efficient, thorough and scientific manner, which will help them greatly improve the safety and reliability of the intelligent vehicles.

**Our products and services to capture the market trends and opportunities**

Currently, the traditional vehicle industry has entered into a transformation period and there has been an accelerated pace of technological and product innovation in China's intelligent vehicle industry, according to F&S.

Driven by the continuous development of intelligent driving technologies and increasing acceptance of intelligent vehicles in China, the market size by revenue of China's ICV testing, validation and evaluation solutions industry has also experienced steady growth, increasing from approximately RMB1.2 billion in 2019 to approximately RMB3.3 billion in 2023, representing a CAGR of approximately 27.8%, according to F&S. Further, it is expected that the market share of ICV simulation testing software and platforms in terms of revenue in China's ICV testing, validation and evaluation solutions market will maintain over 50% in 2023 and further increase to nearly 60% in 2030. The development of China's ICV testing, validation and evaluation solutions industry has been benefited from the favourable policies and proposed release of market access policies from the PRC government, which, combined with the constant advancement of intelligent driving technologies, will continue to fuel the industry's growth in the future.



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## BUSINESS

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Below are some of the market trends or opportunities in the ICV industry and our products and services to capture them:

<b>Market trends/opportunities</b>	<b>Our products and services and target customers</b>
<b>Increasing demand for domestically developed ICV simulation testing software and platforms with high confidence level</b>	<b>ICV simulation testing software and platforms</b>
<p>According to F&amp;S, ICVs at L3 and above levels require more sophisticated simulation testing software and platforms to tackle challenges of intelligent driving testing, including high testing costs, low testing efficiency, lack of safety tests in extreme and dangerous scenarios, and the constantly changing road conditions, traffic environments and driving behaviours.</p> <p>Despite that a majority of the sophisticated testing software and platforms are dominated by foreign market players, more and more automotive manufacturers in China nowadays tend to prefer domestically developed testing software and platforms that are on par with those offered by international suppliers, primarily due to higher costs and risks of using foreign solutions resulting from the international economic and/or political tensions, etc.</p> <p>In addition, as safety-critical products, ICVs need to comply with stringent FuSa and SOTIF standards and it is therefore essential for ICV testing, validation and evaluation solutions to perform FuSa and SOTIF analysis of intelligent driving solutions, according to F&amp;S.</p>	<p>We provide ICV simulation testing software and platforms including:</p> <ul style="list-style-type: none"><li>– building ICV simulation testing platforms, and</li><li>– selling standalone software products,</li></ul> <p>which are our self-developed solutions, that are capable of providing comprehensive ICV simulation testing and FuSa and SOTIF analysis with high confidence level, to satisfy our customers' demand for domestically developed ICV simulation testing software and platforms.</p> <p>The target customers of our products described above include both public and private sector customers.</p>

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**Market trends/opportunities**

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**Demand for ICV data platforms and other products**

ICV data platforms and other products can support (i) the government to collect, store, process, and manage scattered and massive vehicle data relating to ICVs; and (ii) private sector market players to achieve better information management. Further, private sector customers in the ICV industry will gradually expand their business which require to conduct more data analysis and require more cloud services, hence further boosting the demand for ICV data platforms and other products, according to F&S.

**“Multi-pillar method” on ICV testing is widely accepted in the ICV industry**

According to F&S, the “multi-pillar method” consisting of simulation tests, closed-course site tests and open-road tests has been widely accepted around the world. These testing methods of ICVs are important for the improvement of the safety and reliability of related intelligent technologies, and the market size of ICV simulation testing and road testing services in China is expected to rapidly grow in the coming years.

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**Our products and services and target customers**

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**ICV data platforms and other products**

We provide ICV data platforms and other products to accommodate the demand of customers to collect, store, analyse and manage massive data relating to ICVs, and to assist customers in establishing their intelligent connected data centres or intelligent transportation platforms, or meeting regulatory requirements regarding the filing of automotive OTA upgrade information.

The target customers of our ICV data platforms and other products include both public and private sector customers.

**ICV testing and related services**

We provide comprehensive ICV testing and related services, mainly including:

- simulation tests and related services to test the intelligent driving algorithms and their related key components of ICVs; and
- ICV closed-course site tests and related services to assist in ICV-related R&D and business activities of our customers.

The target customers of our ICV testing and related services mainly include private sector customers.

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## BUSINESS

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### Market trends/opportunities

#### New and evolving regulatory regime

The regulatory regime and standardisation system governing the ICV and related industries are relatively new and still evolving. There is also the absence of unified ICV safety testing and validation (including simulation testing) standards, the market access regulations of ICVs, and other relevant laws and regulations in the PRC.

### Our products and services and target customers

#### Advisory and other services

We assist automotive manufacturers in understanding and keeping abreast of the emerging and evolving domestic and international standards in respect of ICVs and ICV testing, validation and evaluation, and advising them on the interpretation and compliance thereof.

We also assist government authorities in organising conferences and seminars relating to ICV and related industries, which offer platforms for industry experts to communicate and exchange industry developments and insights.

The target customers of our advisory and other services include both public and private sector customers.

### Our revenue

Our technological achievements have been transformed into continuously growing economic benefits. Our revenue increased from approximately RMB106.9 million in FY2021 to approximately RMB145.4 million in FY2022 with a growth rate of approximately 36.0%, and further to approximately RMB175.7 million in FY2023 with a growth rate of approximately 20.9%. Our revenue also recorded an increase by approximately 156.9% from approximately RMB21.6 million for 6M2023 to approximately RMB55.6 million for 6M2024.

## BUSINESS

The following table sets forth a breakdown of our revenue by type of our products and services for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
<b>Our products</b>										
ICV simulation testing software and platforms	60,780	56.9	81,100	55.8	100,492	57.2	1,643	7.6	31,321	56.4
– ICV simulation testing platforms	41,427	38.8	30,600	21.0	61,850	35.2	–	–	16,566	29.8
– Standalone software products	19,353	18.1	50,500	34.8	38,642	22.0	1,643	7.6	14,755	26.6
ICV data platforms and other products	41,921	39.2	39,454	27.1	19,921	11.3	9,745	45.1	10,903	19.6
– ICV data platforms	41,921	39.2	1,407	0.9	17,798	10.1	9,745	45.1	10,903	19.6
– Other products	–	–	38,047	26.2	2,123	1.2	–	–	–	–
<b>Subtotal</b>	<u>102,701</u>	<u>96.1</u>	<u>120,554</u>	<u>82.9</u>	<u>120,413</u>	<u>68.5</u>	<u>11,388</u>	<u>52.7</u>	<u>42,224</u>	<u>76.0</u>
<b>Our services</b>										
ICV testing and related services	2,254	2.1	12,440	8.6	38,970	22.2	8,317	38.5	6,638	12.0
Advisory and other services	<u>1,951</u>	<u>1.8</u>	<u>12,391</u>	<u>8.5</u>	<u>16,320</u>	<u>9.3</u>	<u>1,922</u>	<u>8.8</u>	<u>6,698</u>	<u>12.0</u>
<b>Subtotal</b>	<u>4,205</u>	<u>3.9</u>	<u>24,831</u>	<u>17.1</u>	<u>55,290</u>	<u>31.5</u>	<u>10,239</u>	<u>47.3</u>	<u>13,336</u>	<u>24.0</u>
<b>Total</b>	<u><u>106,906</u></u>	<u><u>100.0</u></u>	<u><u>145,385</u></u>	<u><u>100.0</u></u>	<u><u>175,703</u></u>	<u><u>100.0</u></u>	<u><u>21,627</u></u>	<u><u>100.0</u></u>	<u><u>55,560</u></u>	<u><u>100.0</u></u>

### OUR COMPETITIVE STRENGTHS

We believe that our continued success and future prospects are primarily driven by a combination of the following competitive strengths:

#### Self-developed core technologies in the field of ICV simulation testing

We are a technology company in the PRC focusing on ICV simulation testing technologies and primarily engaged in the design and R&D of ICV simulation testing products and the provision of related testing, validation and evaluation solutions. According to F&S, we are the largest market player in China's ICV testing, validation and evaluation solutions industry with a market share of approximately 5.3% in terms of revenue in 2023, and the largest market player in China's ICV simulation testing software and platforms market with a market share of approximately 5.9% in terms of revenue in 2023. We are also one of the several market players capable of providing one-stop ICV testing, validation and evaluation solutions in China. Our main solutions and products include the following:

- ***The world's first simulation testing, validation and evaluation tool chain to have obtained ISO 26262 ASIL D certification – Sim Pro***

Based on the cutting-edge AI technologies and our extensive engineering experiences, we independently developed our ICV simulation testing, validation and evaluation tool chain – ***Sim Pro***, which is the first simulation tool chain in the world to have met the highest functional safety level (i.e. ASIL D) under the international standard ISO 26262.

***Sim Pro*** is able to provide efficient and cost-effective one-stop simulation services to customers by (i) supporting testing of the perception, decision-making and control algorithms of ICVs, through XiL simulation methods such as MiL, SiL, HiL and DiL; (ii) supporting objective and effective evaluation of intelligent driving solutions according to a broad range of criteria such as safety, compliance capabilities and comfortability; and (iii) possessing extensive, scalable and iterative built-in scenario database which is one of the largest scenario databases in the PRC. We also possess advanced tools and technologies for construction of complex scenarios to enable users to conveniently create various types of additional scenarios according to their specific testing needs.

***Sim Pro*** is also distinguished from its peers for integrating an array of tools, such as map models, traffic flow models, vehicle dynamic models, sensor models and driver models. As advised by F&S, simulation software developed by most of the other domestic and international ICV simulation solutions providers in China is generally single-tool solution, which usually only incorporates one or only a few models.

- ***FuSa and SOTIF analysis tool – Safety Pro***

***Safety Pro*** is one of the only few safety analysis tools in the world that is capable of supporting SOTIF analysis, according to F&S. It also possesses the ISO 26262 TCL 2 certification. It is used to analyse and identify the potential hazards in the overall intelligent driving solutions and help our customers formulate corresponding risk mitigation measures and optimise the design of their products, so as to enhance the safety and reliability of ICVs. Such functions also help customers/users of ***Safety Pro*** ensure intelligent driving systems' compliance with the relevant FuSa standards (e.g. ISO 26262) and SOTIF standards (e.g. ISO 21448). With the official publication of the international standard ISO 21448 in June 2022, our Directors believe that automotive manufacturers and technology companies engaged in the R&D and/or manufacturing of ICVs and related products and technologies will place more and more emphasis on ensuring their technologies and products being in compliance with SOTIF standards.

***Safety Pro*** can also be seamlessly connected to ***Sim Pro*** to realise the integration of simulation testing and safety analysis of ICVs in a testing-evaluation closed loop.

As advised by F&S, with ***Sim Pro*** and ***Safety Pro***, we become one of the few market players in China capable of providing integrated solutions that combine safety analysis and simulation testing functions. This gives us a competitive advantage over our competitors that are only able to provide either ICV simulation testing software or safety analysis software. In addition, domestic ICV simulation testing and safety analysis solutions, including ***Sim Pro*** and ***Safety Pro***, are generally easier to use for domestic customers as compared to our foreign peers, which is primarily attributable to the fact that domestic solutions (including their built-in scenarios) are more compatible with the driving environment and driver habits in China.

- ***Cloud-based high-performance ICV simulation testing solutions***

Our cloud-based ICV simulation testing solutions are customisable cloud solutions. They seamlessly integrate ***Sim Pro*** (with built-in scenario databases), ***Safety Pro*** and/or other tools in a single solution. Their compliance with the standard OpenX file formats also makes them compatible with the mainstream simulation ecosystem and facilitates data and information sharing.

With cloud-based computing and data storage capabilities, they can achieve ICV testing, validation and evaluation at a much faster speed and larger scale, and thus significantly enhance the efficiency and cost-effectiveness of ICV testing, validation and evaluation as compared to non-cloud based ICV testing, validation and evaluation software and platforms.

According to F&S, cloud-based simulation testing solutions represent an upcoming trend for ICV simulation testing technologies. We believe that our cloud simulation capabilities will help us maintain our technological advantages over our competitors in the market that lack such capabilities.

### Product and service portfolio built upon our core technologies

According to F&S, we are one of the few market players in China to provide one-stop ICV testing, validation and evaluation solutions. Our comprehensive products and services offerings include (i) ICV simulation testing software and platforms; (ii) ICV data platforms and other products; (iii) ICV testing and related services; and (iv) advisory and other services, which have been developed based on our strong R&D capabilities, extensive project experiences and in-depth industry knowledge accumulated over time, which enable us to respond to diversified customer demand and to reach out to different types of customers emerging from the rapid growth that the ICV market is expected to experience in the coming years. For details, please refer to “Overview – Our products and services to capture the market trends and opportunities” in this section above.

Our ICV simulation testing platforms and ICV data platforms distinguish us from our major competitors. Based on our product categorisation, we have identified four defining elements of an ICV simulation testing platform, including (i) highly customised ICV simulation testing software comprising *Sim Pro*, or both *Sim Pro* and other standalone software; (ii) support for concurrent use by multiple or unlimited users; (iii) matched simulation testing hardware with high specifications; and (iv) provision of adaptation, debugging and related customised maintenance services. According to F&S, some of our major foreign competitors, including three of the four foreign market players among the top five ICV simulation testing software and platforms providers in China in 2023, do not provide ICV simulation testing platforms and ICV data platforms in China whereas their ICV simulation testing products sold in China are typically specific software of the ICV simulation testing and related solutions rather than platform-based integrated solutions in China. These products generally have no or minimal customisation. In addition, they generally do not support concurrent access by multiple or unlimited users and do not include adaptation, debugging and related customised maintenance services. They are therefore unable to meet the demand of the downstream customers for their own platforms in the PRC. Such service limitation of the foreign market players provides us with the competitive edge over our major competitors for the provision of such products which contributed a significant portion of our revenue during the Track Record Period.

We also provide ICV testing services and related services which put into practice in China the “multi-pillar method” that has been widely adopted around the globe. In particular, we operate the Shunyi Testing Site which is an ICV closed-course testing site constructed by an SOE and where we can provide government-recognised closed-course site tests for ICVs in various types of scenarios as required by the relevant industry standards in China.

We believe that we are capable of seizing the growing opportunities in China’s ICV testing, validation and evaluation solutions market to further diversify our products and services portfolio, which will allow us to continue to satisfy the varying and evolving needs of our customers and further broaden our customer base.



### **Strong in-house R&D capabilities and technical know-how with wide market recognition**

As a technology company, we are committed to continued investment in the R&D of new technologies. During the Track Record Period, we incurred total R&D expenditure (including R&D costs capitalised as intangible assets) of approximately RMB27.1 million, RMB38.8 million, RMB76.4 million and RMB41.1 million, respectively. As at the Latest Practicable Date, our R&D team accounted for approximately 74.3% of the total number of our employees, which is led by our deputy general manager, Mr. Yang Qiang (楊強), who has extensive experience in the software engineering industry.

Our technological capabilities have been widely recognised and adopted by the PRC government authorities and industry participants, and we have obtained multiple awards, certifications and recognition, including without limitation to the following:

- Certifications in relation to product safety and quality, including (i) ISO 26262 ASIL D and TCL 2 certifications; (ii) Quality Management System Certification; and (iii) Information Security Management System Certification;
- Honours and awards, including Key Software Enterprise\* (重點軟件企業), Specialised, Sophisticated, Special and New “Little Giant” Enterprise\* (專精特新「小巨人」企業) (issued by the MIIT), Specialised, Sophisticated, Special and New “Little Giant” Enterprise of Beijing\* (北京市專精特新「小巨人」企業), National High and New Technology Enterprise\* (國家級高新技術企業) and Zhongguancun High and New Technology Enterprise\* (中關村高新技術企業);
- Laboratory accreditation and expanded functional safety accreditation by the CNAS; and
- Provision of support for the MIIT Key Laboratory for Intelligent Connected Driving Testing and Evaluation\* (智能網聯駕駛測試與評價工信部重點實驗室).

Our core technologies are covered by IP right protection. As at the Latest Practicable Date, we (i) possessed 75 registered patents and applied for 92 patents for registration in the PRC, the applications of which were still pending; and (ii) registered a total of 61 copyrights (including 60 software copyrights) in the PRC.

We believe that our continuous and substantial R&D investment will help us to stay at the technological forefront of the ICV testing, validation and evaluation solutions industry and result in speedy upgrade and iteration of our existing products and innovation of new product and service offerings from time to time.

**In-depth knowledge and understanding of ICV-related laws, regulations, policies, and standards and the development trends of the ICV industry**

We have been dedicated to the in-depth research of ICV-related laws and regulations, policies and standards since 2018. Therefore, we have in-depth knowledge and understanding of the ICV-related policies and standards adopted by the PRC government authorities and the latest development trends. Based on our expertise and technical know-how, we are offered multiple opportunities to advise on the regulation, policy and standard making in the ICV industry and the ICV testing, valuation and evaluation solutions industry in China. As at the Latest Practicable Date, we have participated in advising on and assisting in the formulation of 82 industry standards in China relating to ICV, 34 of which have been published by relevant government authorities or standard-making bodies, including the Technical Requirements for Autonomous Driving Vehicle Simulation Testing Platform in Beijing T/CMAX121-2019\* (北京市自動駕駛車輛模擬仿真測試平台技術要求T/CMAX121-2019), which was issued by Zhongguancun Zhitong Intelligent Transport Industry Alliance\* (中關村智通智能交通產業聯盟) in 2019 and is China's first association-level standard on ICV simulation testing platforms.

Our extensive industry insights and regulatory knowledge has also been built through our active and close cooperation with private sector market players in China's ICV industry and ICV testing, validation and evaluation solutions industry over the years, including without limitation automotive manufacturers and technology companies. For details, please refer to "Our customers" in this section below.

Through the cooperative relationships with these leading automotive manufacturers and technology companies, combined with our devotion to the in-depth research of ICV-related standards, policies, laws and regulations, and our first-mover advantage in the industry (including early cooperation with both private and public sector bodies), we are able to: (i) deepen our understanding of ICV market trends and requirements of leading private sector market players, which allows us to adjust our products, services and technologies accordingly to meet the growing demands of our customers and therefore stay at the forefront of the rapidly evolving ICV industry; (ii) gain access to, and have mutual exchange of technical know-how with, some experienced engineers and technical staff in automotive manufacturers or technology companies in their respective fields, which will benefit the development and evolution of our own technologies; and (iii) establish recognition in the market and continuously expand our influence to other participants in the ICV industry.

**A management team with proven track records**

We have a management team with in-depth industry knowledge and capabilities in technological innovation and commercialisation. Our management team is led by our Management Group, namely Mr. Hu, Mr. He and Ms. Ma, each being an executive Director and having many years of experience in industrial software development and design, the R&D of testing, validation and evaluation system and public relations in the technology-related industry, respectively, and creating synergy to our Group by combining their valuable expertise and experience from different aspects.

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## BUSINESS

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Under the leadership of our management team and guided by our strategic vision, we have invested substantially in the R&D and have successfully established a business model that effectively turn our technological achievements into economic benefits. We have achieved continuous revenue growth since our Management Group took over the management and operations of our Company in 2018.

We believe the industry experience, knowledge, and stability of our management team have significantly contributed to the success of our operations and our business growth, which is instrumental to our long-term development.

### OUR STRATEGIES

Going forward, we will maintain our strong commitment to and focus on independent innovation to follow the national development strategies, and increase our investment to R&D and technological innovation, to continuously enhance the core competitiveness of our products and services, capture greater market share in the PRC. In order to achieve this objective, we will pursue the following strategies:

#### **We plan to continue to optimise and upgrade our existing solutions and strengthen our technological advantages**

Our continued growth during the Track Record Period has been founded upon the successful launch and commercialisation of our core technological tools *Sim Pro*, *Safety Pro* and other solutions, and we believe that our future success will continue to be closely related to our ability to develop or improve such tools and related technologies. As such, we plan to increase our investment in the continuous optimisation and upgrade of our existing solutions with details set out below:

<b>Our existing solutions</b>	<b>Improvement</b>	<b>Purpose/usage</b>
<i>Sim Pro</i>	Upgrading and optimising models for an array of real-world physical sensors such as cameras, LiDAR and millimetre-wave radar, which will provide basic sensor functions as well as special functions that allow users the flexibility to change configurations of the models to control, for example, noises, irregularities, etc. of the environment perception data produced by the sensor models	To enhance the precision and fidelity of sensor models, which can enable users to flexibly adjust the configurations of the models to realise the more precise testing of perception algorithms of intelligent driving systems.

<b>Our existing solutions</b>	<b>Improvement</b>	<b>Purpose/usage</b>
	Upgrading and optimising the vehicle-cloud-vehicle data closed-loop based on cloud simulation	To realise automatic generation and performance of simulation testing tasks by supporting (i) automatic extraction, processing and uploading of real-world road data to the cloud and the subsequent generation of testing cases at cloud; (ii) large-scale automatic testing and testing report generation at cloud; and (iii) feedback of the testing results to ICV developers for their iteration of the intelligent driving solutions to be finally updated to the ICVs through over-the-air technology.
	Upgrading and optimising the module within <i>Sim Pro</i> that enhances the performance of the XiL testing	To realise the performance of all varieties of XiL testing and achieve <i>Sim Pro</i> 's compatibility with systems of more customers.
<i>Safety Pro</i>	Upgrading and optimising the new function of intelligent analysis	To reduce reliance on manpower in performing safety analysis and improve the efficiency and cost-effectiveness of safety analysis as required by relevant industry standards such as ISO 21448.
	Upgrading and optimising the function of automatic generation of FuSa and SOTIF scenario databases	To support the automatic generation of FuSa or SOTIF scenarios based solely upon the intelligent driving solution that has been analysed as different vehicles are equipped with different sensors which require customised scenario database for the simulation testing after safety analysis. This will not only increase the efficiency of scenario generation, but the customised scenarios generated from safety analysis (as opposed to fixed scenarios generated from road testing or manual construction) will also better cater to the further simulation tests of the relevant autonomous driving solutions.

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Our existing solutions	Improvement	Purpose/usage
<b>Traffic Pro</b> <sup>(Note)</sup>	Optimising the high-precision real-time data processing engine	To optimise data analysis, storage and distribution mechanisms, reduce data delays and improve simulation response speed, so as to enhance the capabilities to process massive real-time traffic data and achieve more precise simulation of real-world traffic conditions.
	Developing more optimisation algorithms for intelligent signal light based on deep learning and big data analysis	To achieve more accurate prediction of changes in traffic flows and more efficient traffic guidance.
	Enhancing the compatibility of <b>Traffic Pro</b> with different software and systems	To ensure that <b>Traffic Pro</b> can run stably and smoothly in different environments and meet the diverse needs of users.
<b>SceCo Pro</b> <sup>(Note)</sup>	Developing the function of integrating data from multiple sources, such as data collected from sensors on the vehicles and map data	To enable users to obtain data from different sources, thereby enhancing the diversity of scenarios generated from road data.
	Developing the function of cloud deployment	To enable users to access and process data remotely on cloud for scenario generation, thereby facilitating users' work collaboration and data sharing.
	Developing the function of automatic generation of customised scenarios	To enable users to generate customised scenarios automatically according to their specific testing requirements or for specific testing purposes

*Note:* For details of the mains functions of **Traffic Pro** and **SceCo Pro**, please refer to “Business – Our products – ICV simulation testing software and platforms – Standalone software products” in this prospectus.

**We plan to increase our investment in the innovation and enhancement of new products and solidify our market presence in the ICV testing, validation and evaluation solutions industry**

According to F&S, the ICV and ICV testing, validation and evaluation solutions industries are evolving at a fast pace with rapid technological advancement and constantly changing customer needs. In order to maintain our competitiveness in the industry, we will continue to develop and commercialise new products and continuously diversify our product portfolio in respect of ICV testing, validation and evaluation. In the near term, we intend to focus our efforts on the following tools which are developed based on one or more modules within our *Sim Pro* tool chain:

<u>Solution</u>	<u>Main function and application scenario</u>	<u>Market demand</u>	<u>Expected completion date</u>
<i>SGO Pro</i>	A tool developed from an existing functional module of the scenario database built within <i>Sim Pro</i> used for scenario generalisation and optimisation, which will help to (i) enhance the existing scenario generalisation function of <i>Sim Pro</i> to achieve higher scenario coverage of generalised scenarios; and (ii) validate the confidence level and optimisation rate of the generalised scenarios, which is an additional enhanced function.	According to F&S, the ICV testing, validation and evaluation solutions market in China has strong demand for quality scenario generalisation and optimisation tools that could help ICV developers achieve high levels of scenario coverage with low levels of scenario usage.	First commercial version to be launched in 2024 with continuous upgrade and optimisation thereafter

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<u>Solution</u>	<u>Main function and application scenario</u>	<u>Market demand</u>	<u>Expected completion date</u>
<b><i>DB Pro</i></b>	<p>A cloud-based scenario management platform that is used for back-office management including AI analysis of scenarios and is compatible with various different ICV simulation testing software in the market to enable ICV developers to achieve multi-scenario and multi-engine joint simulation.</p> <p><b><i>DB Pro</i></b> will give customers access to a much larger number and variety of scenarios than the existing scenario databases built within <b><i>Sim Pro</i></b> could offer.</p>	<p>According to F&amp;S, ICVs require massive scenario-based testing in their R&amp;D process as well as for the purpose of satisfying mass-production and market access standards in the future, but the construction of self-owned scenario databases is costly and time-consuming.</p> <p><b><i>DB Pro</i></b> will help ICV developers to manage and analyse the massive scenarios in a faster, more efficient and more cost-effective manner as compared to non-cloud based scenario management platforms.</p>	<p>First commercial version to be launched by 2025 with continuous upgrade and optimisation thereafter</p>
<b><i>Cloud Pro</i></b>	<p>A cloud-based software that provides users with one-stop ICV simulation testing solutions by seamlessly integrating functions from data collection, scenario conversion, safety analysis, scenario generalisation, simulation testing to final data analysis and result evaluation, thereby enhancing the work efficiency of ICV developers.</p>	<p>Compared with non-cloud based simulation testing software which faces limitations in computing power, <b><i>Cloud Pro</i></b> takes advantage of cloud computing and data storage capabilities and can achieve ICV testing, validation and evaluation at a much faster speed and larger scale, thus significantly enhancing the efficiency and cost-effectiveness of ICV testing, validation and evaluation.</p>	<p>First commercial version to be launched in 2025 with continuous upgrade and optimisation thereafter</p>

With our continued R&D investment, we believe we are able to stay at the forefront of simulation technology development and product innovations to better serve the demands of customers in the rapidly evolving ICV industry.



**We plan to grow our customer base and geographically expand our market coverage**

We plan to further expand our geographic coverage and deepen our customer relationships to accommodate the market growth of and capture greater business opportunities in the ICV testing, validation and evaluation solutions industry and strengthen our market position. Specifically, we are devoted to growing our customer base and expanding our market coverage. During the Track Record Period, our major customers are located or headquartered in Beijing, Zhejiang Province, Guangdong Province, Shanxi Province, Jilin Province and Henan Province. Going forward, we plan to expand our business geographically into more cities in China where many market players in the automotive and ICV industries are located or where laws, regulations and policies supportive of the industry development are in place, such as Hefei, Jinan and Xiamen. We would also consider setting up representative office and R&D facilities in Hong Kong.

In executing the above expansion plans, we intend to enhance our sales and marketing efforts through (i) expanding and improving the capabilities of our domestic sales and marketing team; and (ii) participating in and organising more industry events such as conferences, seminars and trade fairs in mainland China and Hong Kong.

With our established industry reputation and technological capabilities, we believe we are capable of acquiring new customers and undertake more ICV testing, validation and evaluation-related projects in the coming years.

**We plan to grow our talent pool to support our business development plans**

We consider talented, dedicated and well-trained employees are the foundation of our continued growth during the Track Record Period has been built upon our ability to attract, train and retain high-quality talents. To support our future expansion plans and based upon our actual operation needs from time to time, we will continue to invest in recruiting highly talented employees to grow our business and operations.

We believe that technical talents are essential for us to pursue technology innovations and carry out our product development plans. We will continue to invest in and expand our R&D team by attracting technical staff with extensive expertise and experience in areas such as software development, algorithms, vehicle testing, industry research and product design, so as to execute our R&D strategies.

Apart from R&D talents, we will also focus on recruiting more professionals with (i) sales and marketing expertise and experiences to support our domestic expansion plans; and (ii) management expertise and experiences, especially in relation to project management and execution, to enhance the operational and managerial capabilities of our management team.

We will also optimise our talent training system constantly to facilitate the technical and occupational development of our employees and offer them a platform to achieve future success. On the one hand, we plan to provide customised training programmes for our

employees including holding various in-house training sessions, hiring external professionals to give training courses and sending our employees to attend field trips and exchange programmes at other collaborative enterprises. On the other hand, we will invest to systematically improve our existing employee training procedures to make it more standardised and cost- and time-effective. In addition, we will enhance the cultivation of our corporate culture so as to bring our employees more in alignment with our values and visions and motivate their passions and innovations at work.

We believe we are able to continuously nurture talents with appropriate trainings and our implant of proper values and culture to fuel the development of our Group.

### **We plan to expand the application of simulation technologies and explore business opportunities in other industries**

With our proprietary core technologies as well as technical know-how and expertise accumulated over the years, we plan to explore new commercialisation opportunities and application scenarios of our simulation technologies in the following areas:

- ***Drone-related solutions***

In recent years, drones have become increasingly important and are widely used in urban settings. The market size of the industrial drone industry in terms of sales value in the PRC increased from approximately RMB15.2 billion in 2019 to approximately RMB105.4 billion in 2023, representing a CAGR of approximately 62.3%, and is expected to further increase to approximately RMB288.2 billion in 2028 at a CAGR of approximately 20.0% from 2024, according to F&S. We have independently developed software platforms used for drone-related operation management and testing and started providing drone-related services in FY2021 by assisting a PRC-based technology company in performing simulation tests on its drones for use in low-altitude transport and logistics services. For details of our drone-related services, please refer to “Our services – Advisory and other services” in this section below.

Leveraging our experiences from such projects, we aim to further increase our involvement in assisting both public and private sector customers in the operation management, testing and commercial application of drones, in particular, government authorities and technology companies.

- ***Digital city twin***

According to F&S, digital city twin is a digitalised copy of a city in the real world. As a completely virtual model, it allows the simulation of city development plans which helps city planner perform city planning and problem analysis through data-rich digital models of the city. Various aspects of today’s city planning can be modified and improved through the execution of digital city twins to further improve the living of people and the community environment, including traffic flow and transportation improvement in cities,

which we intend our R&D initiatives in this area to focus on, in view of our existing technological capabilities centring around ICV simulation testing solutions. We expect that government authorities and other public sector organisations (such as universities and research institutes) will have increasing demand for digital city twin solutions to facilitate their administration or research activities in respect of urban transportation improvement.

- ***Intelligent agriculture***

We also plan to work on the R&D and, more importantly, the commercialisation of simulation solutions to test intelligent agriculture machines, which are expected to target customers in the intelligent agriculture market, in particular, manufacturers of such intelligent products. To execute such strategy, we have signed a memorandum of cooperation with a PRC research institute in the field of computer science and technology to establish strategic cooperation in, among other things, R&D of intelligent agriculture machineries and related simulation testing technologies.

Through the above initiatives, we aim to continuously expand the application of our technologies, and further strengthen our market position and generate new business opportunities and profitability to our Group.

### OUR BUSINESS MODEL

We offer ICV testing, validation and evaluation products and services to customers mainly based on our self-developed and proprietary core technological tools – (i) ***Sim Pro***, a full-stack ICV simulation testing, validation and evaluation tool chain (in support of scenario databases and cloud (SaaS) deployment); and (ii) ***Safety Pro***, a FuSa and SOTIF analysis tool.

Leveraging our proprietary software and hardware integration capabilities and services, we are able to provide customised solutions catering to specific needs of our customers in a flexible, speedy and cost-effective manner. We mainly generate revenue from the provision of comprehensive ICV testing, validation and evaluation solutions to SOEs and government authorities in the public sector and automotive manufacturers and technology companies in the private sector. Our solutions can be generally classified into the following main categories: (i) product offerings, mainly including (a) ICV simulation testing software and platforms; and (b) ICV data platforms and other products; and (ii) service offerings, mainly including the provision of (a) ICV testing and related services; and (b) advisory and other services. During the Track Record Period and up to the Latest Practicable Date, we had been involved in providing ICV simulation testing services and/or ICV closed-course site testing services in cities such as Beijing, Hangzhou and Shaoxing. Further, during the Track Record Period and up to the Latest Practicable Date, we conducted our operations and business in and all of our revenue was derived from the PRC.

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In 2019, we commenced our ICV simulation testing platform building business by assisting the SOEs based in Hangzhou, Beijing and Changsha in building and implementing ICV simulation testing platforms to meet the demand from the local governments to test and administer the ICV test vehicles and regulate the market of ICVs prior to their commercial launch in the respective cities.

Since 2021, we have developed a new business of providing ICV data platforms and other products. This is to accommodate the demand of government authorities to collect, store, analyse and manage massive data relating to ICVs and help private sector customers to establish intelligent connected data centres, etc.

Since 2022, we have expanded our ICV simulation testing platform building business to cover customers in the private sector. Specifically, we provide cloud-based simulation solutions to meet their demand for much faster and larger-scale ICV simulation testing, validation and evaluation.

The table below illustrates the details of major types of our products and services:

Type of products/services	Nature of products/services	Type of major customers	Revenue recognition policy	Type of major suppliers	Type of products/services provided by suppliers	Major costs incurred	Range of lead time <sup>(Note)</sup>
ICV simulation testing software and platforms	<ul style="list-style-type: none"> <li>Building ICV simulation testing platforms</li> <li>Selling standalone software products</li> </ul>	Both private and public sector customers	Revenue is generally recognised at a point in time when the relevant products are delivered to our customers' designated place, inspected and accepted by our customers	Software and technology suppliers; and hardware and components suppliers	Non-core R&D exercises, such as the provision of data collection solutions and services, and the development of customised operation systems (e.g. Linux); and software components and hardware components	Procurement costs; and staff costs	Within one month to approximately 26 months
ICV data platforms and other products	<ul style="list-style-type: none"> <li>Building ICV data platforms</li> <li>Providing other products</li> </ul>	Both private and public sector customers	Revenue is generally recognised at a point in time when the relevant products are delivered to our customers' designated place, inspected and accepted by our customers	Hardware and components suppliers	Hardware such as servers, parts and components	Procurement costs; and staff costs	Within one month to approximately 12 months

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Type of products/services	Nature of products/services	Type of major customers	Revenue recognition policy	Type of major suppliers	Type of products/services provided by suppliers	Major costs incurred	Range of lead time <sup>(Note)</sup>
ICV testing and related services	<ul style="list-style-type: none"> <li>• Providing simulation tests and related services to test the intelligent driving algorithms and their related key components of ICVs applications of customers</li> <li>• Providing ICV closed-course site tests and related services to assist in ICV-related R&amp;D and other business activities of our customers</li> </ul>	Mainly private sector customers	Revenue is generally recognised at a point in time when the relevant services are completed and the related testing/advisory reports are delivered to our customers	N/A	N/A	Amortisation and depreciation	Within one month to approximately 27 months
Advisory and other services	<ul style="list-style-type: none"> <li>• Providing advisory services to help customers understand and comply with ICV-related standards and improve their own technologies</li> <li>• Assisting government in conference organisation in relation to ICV and related industries</li> <li>• Providing drone-related services</li> </ul>	Both public and private sector customers	Revenue is generally recognised at a point in time when the relevant services are completed and the related testing/advisory reports are delivered to our customers	Services providers	Conference-related services; and drone-related services	Staff costs; and professional fees	Within one month to 13 months

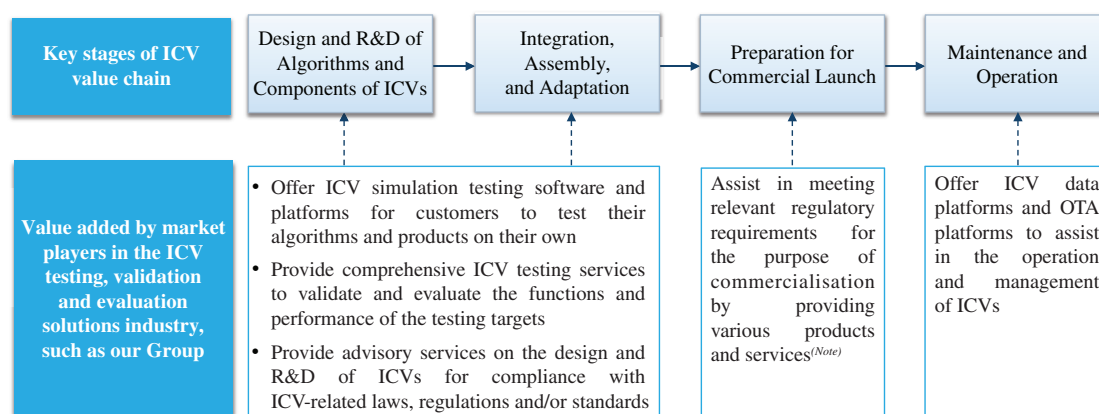
*Note:* This refers to the range of the lead time (from signing of contract to delivery of products/services) of the projects which we obtained during the Track Record Period and were completed as at the Latest Practicable Date, excluding the contracts without specifying the fixed contract sum as the revenue to be recognised cannot be ascertained.

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Up to the Latest Practicable Date, our private sector customers included renowned automotive manufacturers, such as China FAW Company Limited\* (中國第一汽車股份有限公司), and technology companies which are interested in developing intelligent driving technologies, such as Xingularity Technology Group Company Limited\* (新奇點智能科技集團有限公司). In the meantime, we still devote substantial efforts to maintaining our leading position in serving public sector customers and exploring new business opportunities in the public sector.

Apart from generating revenue from our products and services as described above, we also generate Income from Government by working together with various PRC government authorities and/or other market players to perform specific tasks in connection with simulation testing platforms, building scenarios databases for ICVs and/or conducting R&D of simulation testing technologies as well as advise on or assist in formulating official or industry standards in the ICV industry, in order to promote the safe and timely deployment of intelligent driving technologies in China. During the Track Record Period, we entered into, among others, Government Contracts with various PRC government authorities from which income was generated and accounted for as other income from government grants. Please refer to “Income from Government” in this section below and “Financial information – Discussion of selected items in consolidated statements of comprehensive income – Other income – Government grants – Income from Government” in this prospectus for further details.

ICV testing, validation and evaluation solutions providers, such as our Group, play a critical role in ensuring the safety, reliability, functionality, comfortability and compliance capability of ICVs in certain key stages of the ICV value chain, and assisting ICV manufacturers in compliance with relevant regulatory requirements for commercial launch of ICVs. The flowchart below illustrates the key stages of the ICV value chain in the PRC where our solutions play a critical role:



Source: F&S

*Note:* The PRC government issued the Pilot Notice towards the end of 2023, which launched the Pilot Programme to allow qualified L3 and L4 ICVs to, subject to restrictions on, among others, validity period and implementation areas, access and drive on designated open roads in qualified pilot cities. However, participation in the Pilot Programme per se does not mean that the Pilot ICVs are allowed for unrestricted market launch in the PRC at the present stage. The Pilot Notice is still at the premature stage of pilot



implementation, and it is still uncertain as to the formal requirements and procedures for ICVs to ultimately achieve unrestricted market launch in the PRC, which may be subject to new laws, regulations, policies or guidelines to be published by the PRC government. For details of the Pilot Programme, certain key regulatory requirements under the Pilot Notice and how our products and services can assist customers in fulfilling such regulatory requirements, please refer to “Our customers – Sustainability of our Group’s business – (1) Strong policy support for the ICV related industries – Regulatory requirements for the market entry of ICVs at L3 and above” in this section below.

### OUR CORE TECHNOLOGIES

#### Sim Pro

*Sim Pro* is a full-stack simulation tool chain to test, validate and evaluate all levels of ICV intelligent driving solutions, including the algorithms and their related key components, such as electronic control units, of the intelligent driving system of an ICV and how such algorithms and components integrate with other parts and components of the vehicle, but not the whole vehicle itself. *Sim Pro* particularly focuses on testing autonomous driving solutions at L3 and above. In June 2021, *Sim Pro* obtained the highest-level FuSa certification at ASIL D regulated by ISO 26262, making it the first ICV simulation tool chain in the world to have obtained such certification, according to F&S.

With rich and expandable interfaces, *Sim Pro* can support the testing of the algorithms and their related key components of the intelligent driving systems of ICVs through different XiL testing methods ranging from MiL, SiL, HiL to DiL. Although we have not been engaged to provide ViL testing products or services for any customer as at the Latest Practicable Date, (whereas according to F&S, some of the four foreign market players among the top five ICV simulation testing software and platforms providers in China in 2023 offer ICV simulation testing software offer ViL testing solutions), we are capable of providing ViL testing products and services utilising *Sim Pro* should our customers engage us for the provision of the same. Specifically, we expect that it may take approximately three to five months for us to deliver relevant products/services to the customers.

We plan to develop a new module within *Sim Pro* to make it compatible with all varieties of XiL (including ViL) simulation testing, as part of our future strategies to enhance our existing solutions. For further details, please refer to “Our strategies – We plan to continue to optimise and upgrade our existing solutions and strengthen our technological advantages” in this section above.

The chart below illustrates different varieties of XiL simulation testing:

XiL	Definition	Features
<b>Model in the Loop (MiL)</b>	A type of simulation testing that tests control algorithms of ICV intelligent driving solutions using computer-based mathematical models instead of physical systems.	MiL is used in the early development stage of ICV intelligent driving solutions (before any software is generated or hardware is available) and thus allows early identification of errors and bugs in the control algorithms. MiL is conducted entirely in a simulated environment, i.e. based on simulations of vehicle and its driving environment.
<b>Software in the Loop (SiL)</b>	A type of simulation testing that tests the functionality, performance and reliability of embedded software.	SiL is conducted after MiL and uses the same test cases, a technical term meaning a set of actions or instructions for testers to perform to test a system, software or an application, used in MiL to test the embedded software so as to validate the MiL test results. Same as MiL, it tests the embedded software entirely in a simulated environment.
<b>Hardware in the Loop (HiL)</b>	A type of simulation testing that tests the functionality, performance and reliability of electronic control units, a technical term meaning the electronic devices on a vehicle that control the electrical systems or subsystems (such as the engine) of the vehicle, by replacing some physical components of the vehicle with computer simulations.	HiL comes at a later stage after SiL and is conducted based on simulation of part (but not the whole) of the vehicle as well as the driving environment.
<b>Vehicle in the Loop (ViL)</b>	A type of simulation testing that tests the functionality, performance and reliability of complete vehicle systems in a computer simulated environment.	ViL is the next step of HiL. As the purpose of ViL is to test complete vehicle systems, vehicle simulation is no longer required. Real-world driving environment is created in simulation for the purpose of ViL, which enables testing of complete vehicle systems in simulation instead of testing such systems in vehicles on physical roads in real world.
<b>Driver in the Loop (DiL)</b>	A type of simulation testing that tests the performance, safety and adaptability of intelligent driving technologies by simulating real-world driving scenarios and the driver's behaviours and reactions in a computer simulated environment.	DiL is generally conducted in conjunction with another type of the closed-loop testing (e.g. HiL) by introducing vehicle-human (driver) interactions to the testing process, creating simulated driving environment which is closer to real-world driving situations.

Depending on different testing targets (such as the control algorithms and electronic control units of ICV intelligent driving solutions), it is at the discretion of the customers to choose different varieties of the XiL testing methods. Under each XiL testing method, **Sim Pro** can also utilise different scenarios, evaluation criteria and/or interfaces through test management to achieve different testing purposes. **Sim Pro** can also be embedded into cloud infrastructures so as to achieve larger-scale and faster simulation testing through parallel computing (i.e. the function to run multiple simulation tests simultaneously) and accelerated computing (i.e. the function to speed up the testing work), which substantially improve testing efficiency. Specifically, for large-scale testing, **Sim Pro** can collect and generate samples for specific scenarios from a full set of generalised scenarios, so as to achieve the appropriate level of scenario coverage (such as typical scenarios, dangerous scenarios and extreme scenarios) while at the same time minimising the number of scenarios used for testing.

Another key competitive feature of **Sim Pro** is its scenario databases containing ready-to-use scenarios. The real-world driving and traffic conditions are often unpredictable and extremely complex. To ensure the testing scenarios cover as many real-world scenarios as possible, **Safety Pro** can also create specific scenarios (particularly extreme scenarios) for **Sim Pro** to perform simulation testing. According to F&S, our simulation solutions have one of the largest scenario databases in China in terms of the volume of scenarios. With such huge volume and wide variety of the scenarios as described below, our scenario databases can significantly enhance the efficiency and confidence level of the ICV simulation testing abilities of **Sim Pro** as compared to other simulation solutions without such features.

Our scenario databases mainly contain the following types of scenarios:

1. *Manually constructed scenarios*, which are constructed based on expert knowledge or past testing experiences and mainly include the following specific types:
  - (1) *nominal scenarios*, which are mandatory testing scenarios for ICVs according to various industry standards and regulations, such as the Road Traffic Administration Regulations of the PRC\* (中華人民共和國道路交通管理條例), the Implementation Regulations of the Road Traffic Safety Law of the PRC\* (中華人民共和國道路交通安全法實施條例) and the Rules and Procedures of Autonomous Driving Simulation Testing and Evaluation of ICVs\* (智能網聯汽車自動駕駛功能模擬仿真測試與評價規程);
  - (2) *empirical scenarios*, which are manually constructed based on human experiences accumulated from past tests;
  - (3) *traffic accident scenarios*, which are sourced from public traffic accident databases; and
  - (4) *FuSa scenarios*, which are used for the purpose of testing ICVs when they encounter failures.
2. *Collected scenarios*, or *road acquisition and re-constructed scenarios*, which are generated by re-constructing real-world traffic situations to test the driving behaviours of ICVs in the complex real-world road and traffic conditions or those that are close to real-world environments.
3. *SOTIF scenarios*, in particular the extreme scenarios, which are generated based on the SOTIF analysis of **Safety Pro** or other safety analysis tools and are used to validate the SOTIF-related risks of target autonomous driving solutions in simulation testing.
4. *Generalised scenarios*, which are generated through the generalisation tool within **Sim Pro** by adjusting the range of key parameters of the scenarios such as those described above.

### Safety Pro

*Safety Pro* is our proprietary FuSa and SOTIF analysis tool targeting ICVs.

FuSa and SOTIF represent two important safety systems governing ICVs. Specifically:

1. **FuSa** refers to the avoidance of unreasonable risks caused by system failures, which, in the context of road vehicles, is governed by the international standard ISO 26262 (Road vehicles – Functional safety). For ICVs, any random failure of a component may cause failures of the vehicle that could lead to hazardous events in certain circumstances. The FuSa analysis using *Safety Pro* helps our customers ensure the reliability of ICVs by (i) identifying failures of key components or the whole vehicle; (ii) analysing the risks of hazards resulting from such failures; and (iii) formulating response strategies to mitigate risks to an acceptable level and prevent accidents arising from failures of the vehicle; and
2. **SOTIF** emerges specifically with the development of autonomous driving technologies and refers to the mitigation of safety risks in absence of system failure or malfunctioning, but resulting from insufficiencies, limitations or weaknesses in the design and/or intended functionalities of the vehicles when they encounter certain circumstances in the external environments (i.e. the triggering events). For example, the installation of one camera only at the front of the vehicle may be regarded as an functional limitation or weakness which may give rise to safety risks in rainy or foggy weather where the visibility is reduced. SOTIF is governed by the international standard ISO 21448 published in June 2022. It is an indispensable requirement for high-level autonomous driving at L3 and above, where the responsibilities to ensure safety are shifted to the autonomous driving systems from human drivers.

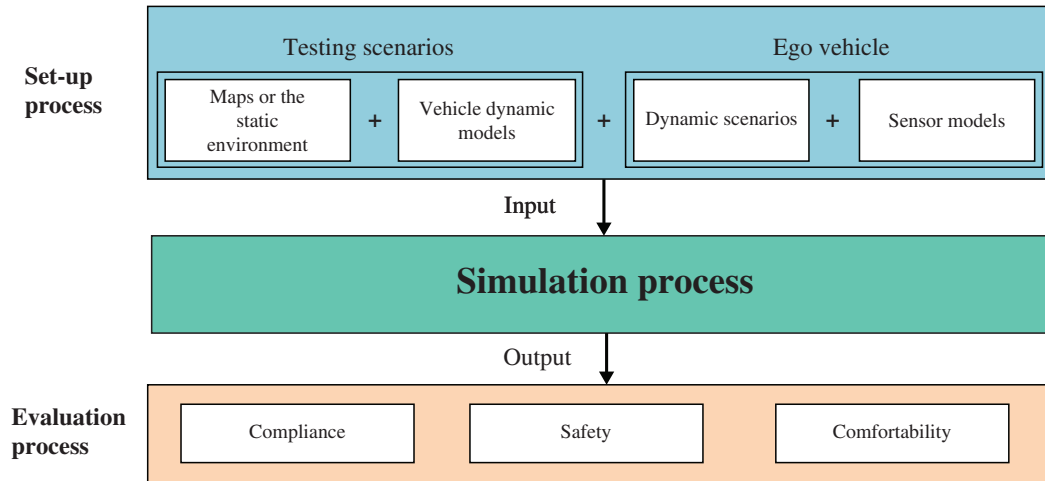
*Safety Pro* mainly functions as an analytical tool to analyse and identify the FuSa and SOTIF related risks of ICVs, thus helping developers to constantly improve their ICVs and ensure their compliance with the FuSa and SOTIF standards. For further details, please refer to “Our core technologies – Application of *Sim Pro* and *Safety Pro* in the testing, validation and evaluation of intelligent driving solutions – *Safety Pro*” in this section below.

According to F&S, based on the FuSa and SOTIF analysis capability enabled by *Safety Pro*, we are one of market players in China capable of providing ICV simulation testing, validation and evaluation solutions with FuSa and SOTIF analysis functions.

## Application of *Sim Pro* and *Safety Pro* in the testing, validation and evaluation of intelligent driving solutions

### *Sim Pro*

An ICV simulation test using *Sim Pro* consists of three processes: (i) set-up process; (ii) simulation process; and (iii) evaluation process, as illustrated in the diagram below:



### *Set-up process*

The first step of ICV simulation testing is to set up (i) the ego vehicle (主車), i.e. the vehicle to be tested; and (ii) the testing scenarios, i.e. the simulated scenarios that replicate real-world environment and traffic situations where the ego vehicle will drive through during the simulation tests, which are further explained below:

- (1) **Ego vehicle**, which mainly consists of the following two elements:
  - **Vehicle dynamic model**, which models the behaviours and dynamic features of real vehicles. *Sim Pro* constructs the vehicle dynamic models mainly based on vehicle component and system models in combination with vehicle data collected from real world. Such models can more realistically replicate the behaviours and dynamics of real vehicles. *Sim Pro* may also use external vehicle dynamic models for testing.
  - **Sensor models**, which model real-world sensors (such as millimetre-wave radar, LiDAR and cameras) that perceive the surrounding environments and provide sensor signals to the ego vehicle. Users can choose different sensor models in *Sim Pro* and customise such sensor models by changing their configurations (such as the position of the sensors in the ego vehicle and their sensitivity level in terms of maximum length and degree of detection).

(2) **Testing scenarios**, which generally consists of the following two parts:

- **Maps or the static environment:** our simulation testing solutions support the restoration of high-resolution maps collected from real world. Users may use or compile the existing maps in *Sim Pro*, or use the road editor within *Sim Pro* to design and create customised static driving environment from scratch including, among others, roads, roadside buildings, traffic signs and traffic lights.
- **Dynamic scenarios**, which are scenarios with dynamic traffic features enabled by the use of dynamic objects (such as humans, animals and other non-testing vehicles). Users can directly use existing dynamic scenarios in the scenario databases within *Sim Pro*, or create new ones by customising the configurations of the dynamic objects (such as the moving path of non-testing vehicles) via the scenario editor within *Sim Pro*.

### *Simulation process*

After the ego vehicle and testing scenarios are set up, users can then start the simulation test.

### *Evaluation process*

Once the simulation testing process has completed, users can view the automatically generated evaluation results in *Sim Pro*, which will show how the ego vehicle has performed during the simulation process according to certain pre-determined criteria, including the following three criteria that are most commonly used by *Sim Pro*:

- **Compliance evaluation** analyses whether the ICV complies with applicable traffic regulations including requirements in relation to traffic lights and signals, stop lines, lane lines, and speed limit signs, etc.
- **Safety evaluation** analyses ICVs' safety performance based on whether there is collision or expected occurrence of collisions as measure by the safety distance with surrounding vehicles in all directions. When a collision occurs, their performance will be recorded and the corresponding data will be stored for replay and evaluation.
- **Comfortability evaluation** refers to the use of subjective and objective criteria to calculate the acceleration or deceleration value of ICVs with reference to relevant industry standards, including the Method of Running Test – Automotive Ride Comfort GB/T 4970-2008\* (汽車平順性試驗方法GB/T 4970-2008), a PRC national standard issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局) and the Standardization Administration of China (中國國家標準化管理委員會) in 2010, which defines the criteria of comfortability of vehicles based on various numerical

measures including acceleration or deceleration value. When the value of acceleration or deceleration of the ICV during the simulation test is overly high, it will be recorded in the evaluation report. Failed performance items will also be recorded with detailed numerical records and testing playback is available for further validation and evaluation.

When the evaluation process is completed, **Sim Pro** will generate an evaluation report which marks the end of the testing loop. Based on such report, users may decide on which scenario(s) should be executed in the next test.

### ***Safety Pro***

#### *FuSa analysis process*

**Safety Pro** can assist ICV developers in performing FuSa analysis on ICVs in accordance with various analysis methods as recommended by ISO 26262, such as (i) Hazard Analysis and Risk Assessment (or HARA, a method for evaluating the hazards arising from malfunctions or failures and rank the hazards by their severity); (ii) Failure Mode and Effects Analysis (or FMEA, a method for systematically identifying all possible faults and failures that may exist within the design of a product and their effects); (iii) Fault Tree Analysis (or FTA, a method for defining an undesirable event, exploring possible causes for it and identifying measures to reduce the risks); and (iv) Failure Modes Effects and Diagnostic Analysis (or FMEDA, a method for systematic analysis of the failure modes and failure rates within a system and their effects on the safety performance of the system).

Procedurally, after the design and functions of a product are recorded in detail in **Safety Pro**, users may then apply different methods to analyse it based on pre-determined safety requirements (e.g. ISO 26262). At the end of the analysis, FuSa scenarios will be generated based on the analysis results, which can be submitted to **Sim Pro** for further simulation tests and/or used in real-world ICV tests at closed-course testing sites or open roads to validate the analysis results.

#### *SOTIF analysis process*

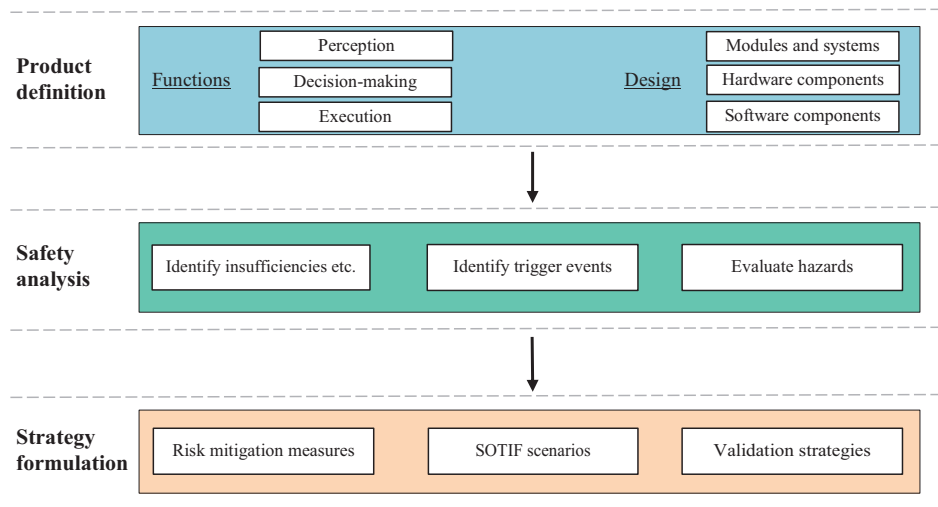
SOTIF analysis is designed to identify and address hazards that arise in absence of malfunctions or failures of the ICVs but are due to their performance limitations and reasonably foreseeable misuse by persons. A standard SOTIF analysis of an intelligent driving solution using our **Safety Pro** tool is performed in the following three steps:

- (1) **Product definition.** Firstly, users need to make a detailed description of the functions (e.g. perception, decision making and execution) and designs (e.g. various software and hardware components, and modules and systems of the vehicle) of the ICV products and input it into **Safety Pro**.



- (2) **Safety analysis.** Based on the automatic-generated analysis of *Safety Pro* in conjunction with the users' input and relevant safety requirements and goals (e.g. ISO 21448), this step is to (i) identify potential insufficiencies, limitations or weaknesses in the functions and/or designs of the ICV products; (ii) evaluate what events may trigger such insufficiencies, limitations or weaknesses in real world and the possibility and frequency of such trigger events; and (iii) analyse the relevant safety risks, i.e. whether the aforesaid insufficiencies, limitations or weaknesses triggered in certain circumstances may result in hazardous events (e.g. collisions), and if so, the seriousness of such events.
  
- (3) **Strategy formulation.** Based on the analysis results of the second step and pre-determined safety requirements, (i) risk mitigation measures can be formulated to reduce the residual risks of the intelligent driving solution to an acceptable level; (ii) SOTIF scenarios will be generated; and (iii) validation strategies can be formulated for simulation testing of the ICVs in *Sim Pro*, and further testing at closed-course testing sites and/or on open roads to validate the safety analysis result.

The chart below summarises the typical workflow of *Safety Pro*'s SOTIF analysis as described above:



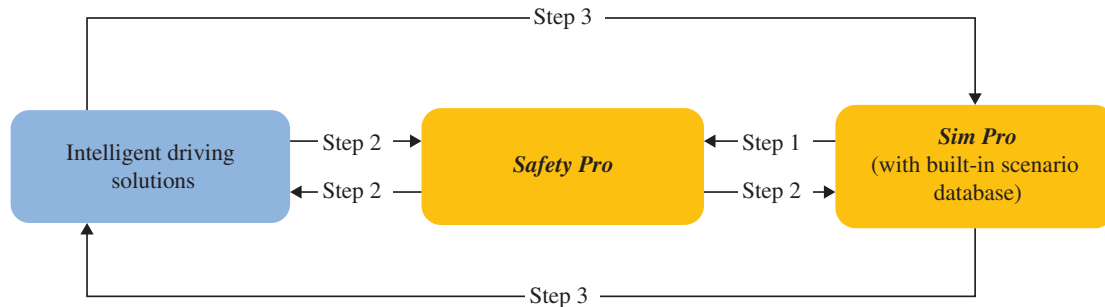
### Interaction between *Sim Pro* and *Safety Pro*

*Safety Pro* and *Sim Pro* (including the build-in scenario databases) can interact with each other as well as the target intelligent driving solution to form the closed loop of simulation testing and safety analysis of the intelligent driving solution.

Firstly, *Safety Pro* can make use of appropriate scenarios within the scenario databases built within *Sim Pro* for use in the safety analysis, and where there are no suitable scenarios in the scenario databases, *Sim Pro* can generate specific scenarios for *Safety Pro* to perform the analysis. After the analysis is completed, *Safety Pro* will provide feedback as to the safety

risks identified in different scenarios for *Sim Pro* to conduct simulation tests in such scenarios to further validate the analysis results. In addition, FuSa and SOTIF scenarios will be generated at the end of the FuSa and SOTIF analysis, respectively, which will be automatically recorded in the scenario databases to form new test cases for simulation testing by *Sim Pro* and will further expand and enrich the scenario databases built within *Sim Pro*.

The following chart illustrates how *Sim Pro* and *Safety Pro* interact with each other to analyse and test the intelligent driving solutions:



Steps:

1. *Sim Pro* (with its built-in scenario databases) provides scenarios for *Safety Pro* to perform safety analysis.
2. The target intelligent driving solution is analysed within *Safety Pro*, which will generate FuSa or SOTIF scenarios for *Sim Pro* to conduct simulation testing to further validate the analysis results. The analysis results may also give feedback to customers on how they can improve their intelligent driving solutions.
3. *Sim Pro* performs simulation tests on the target intelligent driving solution. Adjustment and corrections can be made to the target autonomous driving solution in accordance with the testing results.

### Development history of *Sim Pro*

We independently developed and launched in 2018 the first basic version of ICV simulation testing, validation and evaluation tool chain – *Sim Pro*. Since then, we have continued to develop and enhance the functions and modules of *Sim Pro*, mainly including the following:

- *Second half of 2018*: enhancements of model building and configuration capabilities to offer greater convenience and flexibility in respect of configuration;

- *First quarter of 2019*: development of real-time simulation middleware computing platform (實時仿真中間件計算平台) and AI-based simulation testing scenario generation system; and enhancements in computing power and simulation testing scenario generation capability;
- *2020*: development of scenario design software and enhanced functions and modules such as simulation engine (仿真引擎) and rendering engine (渲染引擎); and improvements in various aspects including map display, road information display and change in user interface. Such version of **Sim Pro** was ready for commercial sale (e.g. sale to Customer B);
- *September 2021*: development of cloud-based **Sim Pro**;
- *September 2022*: development of a more updated version of **Sim Pro**, including new functions of sensor settings (傳感器設置) and demonstrating of sensor display range (傳感器顯示範圍展示);
- *Fourth quarter of 2022*: development of fuzzy search (模糊搜索) within the scenario management functional module and other functions to support physical millimetre wave sensors (物理級毫米波傳感器); inclusion of HiL simulation testing and new capability to support human machine interface (HMI) filtering; and enhancements of import and refresh functions, vehicle swing effects (車輛擺動效果), render window speed (渲染窗口車速) and V2X sensor parameters (傳感器V2X參數); and
- *2023*: upgrade and enhancements in vehicle models, driver model parameters and complex vehicle dynamics model (車輛動力學模型) and development of new functions and modules, such as behavioural modelling tools (建模工具) and traffic flow models (交通流模型).

Notwithstanding that **Sim Pro** was launched in 2018, we only began to derive revenue from the sale of ICV simulation testing software and platforms since 2020. During 2019, we had entered into contracts with some customers to generate revenue from the provision of ICV simulation tests and related services, which involved the use of our core technology **Sim Pro**. Although the first basic version of **Sim Pro** launched in 2018 was capable of providing ICV simulation tests for our customers, it was not yet a mature commercial product to be sold to customers independently.

With a view to offering **Sim Pro** which is capable of functioning independently and allowing customers to utilise the technology for their ICV-related R&D, we focused on developing **Sim Pro** by enhancing its capabilities and the standardisation of its interfaces. Subsequently in 2019, we began to sell ICV simulation testing software and platforms with the more advanced version of **Sim Pro** to customers. The first sale of our **Sim Pro** products was completed in 2020.

### Development history of *Safety Pro*

The Management Group commenced research work related to safety analysis of ICVs in July 2019. In order to commercialise the R&D results, the Management Group explored the application potentials and *Safety Pro* was officially launched in 2021.

In 2022, with the integration of *Sim Pro* and *Safety Pro*, the testing-validation closed loop of autonomous driving simulation testing tool chain was achieved. Subsequently, *Safety Pro* was further enhanced with the development of new functions including analytical tour (分析導覽), intelligent analysis (智能分析), scene visualisation (可視化場景) and Fault Tree Analysis (故障樹分析) in 2022, and scenario generalisation (場景泛化) in 2023.

In addition, *Safety Pro* obtained the ISO 26262 TCL 2 certification in July 2023.

### Cloud-based ICV simulation testing solutions

We are capable of delivering ICV simulation solutions in the form of cloud solutions, including the one we jointly developed with the Relevant Customer in 2021. Our cloud-based ICV simulation testing solutions are comprehensive and customisable solutions that can integrate various tools, including without limitation *Sim Pro* (with built-in scenario databases) and *Safety Pro*. Hence, they are capable of meeting the requirement of ICV developers for one-stop ICV testing, validation and evaluation services alongside the entire development cycle of ICVs.

Notwithstanding the integration of multiple functions, the key advantage of cloud-based ICV simulation testing solutions as compared to our non-cloud based simulation solutions lies in their strong cloud computing and huge data storage capabilities which can greatly improve the efficiency and cost-effectiveness of simulation testing. According to F&S, although it is sufficient for ADAS-level intelligent driving functions of ICVs to be tested in limited and specific scenarios, massive testing scenarios are required to test and validate high-level autonomous driving at L3 or above. As such, the traditional standalone simulation testing becomes limited due to the lower computing capabilities and inability to perform accelerated testing, which ultimately result in lengthy testing cycles and lower testing efficiency. With the parallel and accelerated computing capabilities, the cloud-based simulation empowered by our cloud-based ICV simulation testing solutions can overcome the restrictions of local computing resources to achieve much faster and larger-scale simulation testing of intelligent driving solutions.

## OUR PRODUCTS

Our products mainly include (i) ICV simulation testing software and platforms; and (ii) ICV data platforms and other products, as illustrated by the following chart:

Main categories	Sub-categories	Main purposes
ICV simulation testing software and platforms	Simulation testing platforms	To test, validate and evaluate the functional completeness and safety of ICV intelligent driving solutions (including algorithms and their related key components of the intelligent driving system of an ICV)
	Standalone software products	
ICV data platforms and other products	ICV data platforms	To achieve effective regulation and decision-making in monitoring ICVs
	Other products	To establish intelligent connected data centres or intelligent transportation platforms, or to meet regulatory requirements regarding OTA upgrading of vehicles

### ICV simulation testing software and platforms

During the Track Record Period, our revenue from the sale of ICV simulation testing software and platforms amounted to approximately RMB60.8 million, RMB81.1 million, RMB100.5 million and RMB31.3 million, respectively, accounting for approximately 56.9%, 55.8%, 57.2% and 56.4% of our total revenue, respectively. Specifically, our products of ICV simulation testing software and platforms consist of (i) building simulation testing platforms; and (ii) selling standalone software products.

#### *ICV simulation testing platforms*

ICV simulation testing platforms are our simulation solutions that support development of customised functions to cater to different needs of our customers. Based on our product categorisation, we have identified four defining elements of an ICV simulation testing platform, including (i) highly customised ICV simulation testing software comprising **Sim Pro**, or both **Sim Pro** and other standalone software; (ii) support for concurrent use by multiple or unlimited users; (iii) matched simulation testing hardware with high specifications; and (iv) provision of adaptation, debugging and related customised maintenance services.

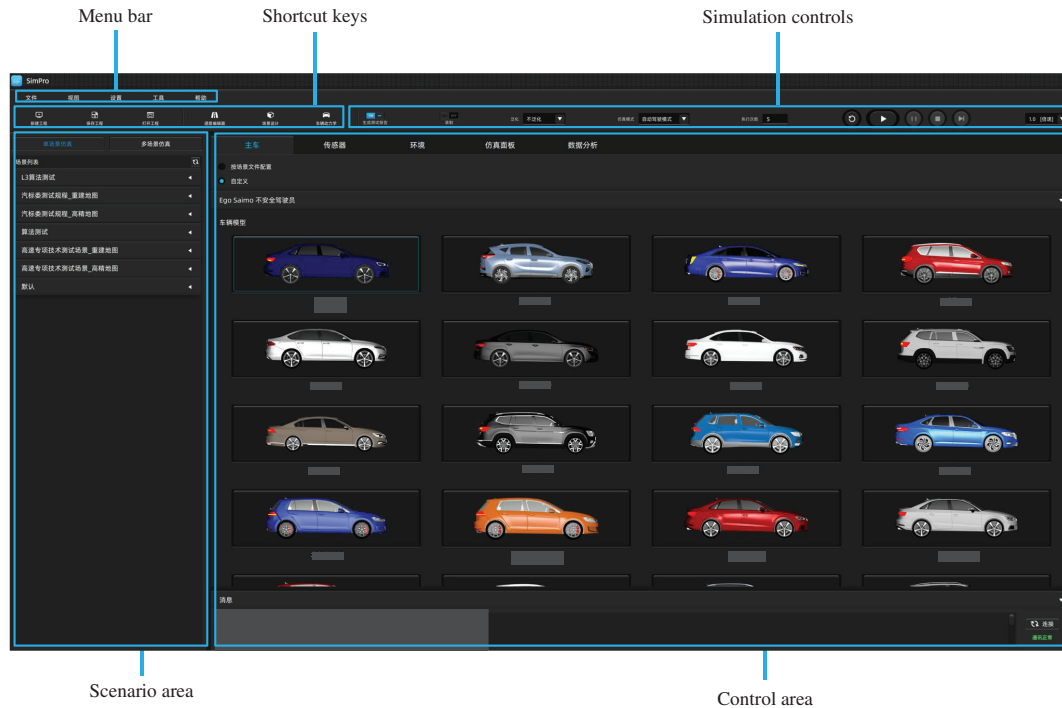
For details of the differences between our ICV simulation testing platforms and standalone software, please refer to “Our products – ICV simulation testing software and platforms – Standalone software products – Comparison between ICV simulation testing platforms and standalone software” in this section below.

The ICV simulation testing platforms we had implemented for our customers during the Track Record Period and up to the Latest Practicable Date were either cloud-based (i.e. SaaS solutions) or non-cloud based. We were engaged as a subcontractor of the Relevant Customer for building cloud-based ICV simulation testing platform for customers during the Track Record Period and up to the Latest Practicable Date, but we are not restricted to partnering with other cloud infrastructure providers or rely on our own cloud infrastructure to provide cloud-based simulation testing solutions for our customers in the future.

During the Track Record Period, our revenue from the sale of ICV simulation testing platforms amounted to approximately RMB41.4 million, RMB30.6 million, RMB61.9 million and RMB16.6 million, respectively, accounting for approximately 38.8%, 21.0%, 35.2% and 29.8% of our total revenue, respectively.

As an example, we were engaged by an SOE to provide our ICV simulation testing platform. As one of the innovation and technology hubs in China, Beijing houses a number of intelligent driving technology giants. It is also a pioneer city in promoting the development of ICV and related industries in the PRC, according to F&S. In 2019, we entered into an agreement with an SOE based in Beijing to build an ICV simulation testing platform, which was successfully completed in 2021. The ICV simulation testing platform was deployed by the Beijing government to conduct comprehensive simulation testing, validation and evaluation for ICVs with an aim to facilitating the development of the ICV industry in Beijing.

The following is a screenshot of the operating interface of the ICV simulation testing platform we built for the local government of Beijing:



### Standalone software products

We started selling standalone software products in 2021, which include both cloud and non-cloud forms. During the Track Record Period and up to the Latest Practicable Date, our standalone software products were sold to end customers by way of either direct sales or indirect sales. For indirect sales, we sell our products through our distributors starting from FY2021, which is further described in “Sales and marketing – Distribution arrangement” in this section below.

Given the specific product feature of our standalone software products which limits their use to a single user (i.e. single user access licence per set of software), our customers may need to purchase multiple sets of our standalone software products for more user access licences based on their business size and commercial needs. This allows the customers to run multiple ICV simulation tests simultaneously, hence enhancing their R&D efficiency. For details of the differences between our ICV simulation testing platforms and standalone software products, please refer to “Our products – ICV simulation testing software and platforms – Standalone software products – Comparison between ICV simulation testing platforms and standalone software” in this section below.



In respect of the licence period of our standalone software products, we generally grant licences with no limitation on the period of use, which is in line with the industry practice, according to F&S. However, although our customers generally do not need to renew the licences of their standalone software products purchased from our Group, they may need to upgrade their existing software by (i) purchasing a more advanced version of their software; (ii) purchasing new or upgraded modules for their software; (iii) purchasing add-on development services for their software; and/or (iv) upgrading their software into ICV simulation testing platforms, in order to, among others, keep up with the rapid technological advancement and regulatory developments in the ICV market. In general, the ICV simulation testing software and platforms undergo substantial upgrade and iteration once every three to five years, according to F&S.

In addition to standalone *Sim Pro* and *Safety Pro*, we have also developed other customised software and solutions based on one or more specific function(s) or module(s) of our standalone *Sim Pro* and/or *Safety Pro*. Examples of such software and solutions include the following:

- (1) ***Scenario databases***. We are able to provide comprehensive scenario databases-related solutions including (i) developing scenario data processing and other solutions; (ii) collecting and compiling scenario data (such as traffic accident scenarios) for our customers; and (iii) conducting research in relation to data collection and scenario databases to assist in the formulation of relevant industry standards. Our scenario databases were first sold in 2020.
- (2) ***Traffic Pro***. This is a traffic flow simulation software which can simulate complex traffic flows. It can also collect and analyse real-time traffic data and assist the government and city planners in traffic management and optimisation. Our ***Traffic Pro*** was first sold in 2023.
- (3) ***SceCo Pro***. This is a software developed based on an existing functional module of within *Sim Pro*. It is used to efficiently extract and process real-world road data to generate road acquisition scenarios. Our ***SceCo Pro*** was first sold in 2024.

During the Track Record Period, our revenue from the sale of standalone software products amounted to approximately RMB19.4 million, RMB50.5 million, RMB38.6 million and RMB14.8 million, respectively, accounting for approximately 18.1%, 34.8%, 22.0% and 26.6% of our total revenue, respectively.

### *Comparison between ICV simulation testing platforms and standalone software*

According to our product categorisation, we have identified four defining elements of an ICV simulation testing platform, including (1) highly customised ICV simulation testing software comprising *Sim Pro*, or both *Sim Pro* and other standalone software (involving relatively more customised modules and functions); (2) support of concurrent use by multiple or unlimited users; (3) matched simulation testing hardware with high specifications (such as high performance graphics workstation, real-time simulating machine, high speed simulation processors and driving simulator); and (4) provision of adaptation and debugging services in relation to the ICV simulation testing platforms to ensure compatibility of software and hardware and provision of related customised maintenance services. With reference to these key elements, the differences or competitive advantages of our ICV simulation testing platforms compared to our standalone software mainly include the following:

- (1) Highly customised ICV simulation testing software comprising *Sim Pro*, or both *Sim Pro* and other standalone software

Customers who purchase ICV simulation testing platforms generally have relatively more technical needs and requirements which cannot be fully met by our standalone software. In building an ICV simulation testing platform, our R&D team has to consider the types of modules to be included and their customisation (such as support for a wider range of input and output data parameters in various computing models, including but not limited to various sensor models, and higher rates of accuracy) to cater for the specific technical needs of our customers, such as the virtual city (虛擬城市) module developed in the cloud-based ICV simulation testing platform we delivered to the Relevant Customer in 2022, which equips the platform with the function to simulate city-wide traffic environment. As such, the ICV simulation testing software embedded in our ICV simulation testing platforms is generally highly customised.

On the other hand, our standalone software generally have less modules and functions and offer a lower level of customisation. These standalone software products can generally be sold to customers without or with a relatively low level of add-on development works, resulting in relatively shorter completion time.

In light of the high level of customisation, the types of modules embedded in different ICV simulation testing platforms can vary substantially and an ICV simulation testing platform may contain the same type of modules in bulk. Examples of modules which are material to and may be provided in bulk in an ICV simulation testing platform include (i) data closed loop, which achieves data closed-loop testing, thereby increasing the response capability of the simulated environments to actual data to verify the testing target's performance more realistically; (ii) SOTIF scenario, which provides massive SOTIF scenarios to support testing of the target under various software failure situations; and (iii) parallel simulation licence, which allows for simultaneous simulation of multiple scenarios and systems, thereby enhancing simulation efficiency. Generally, the quantity of each module in an ICV simulation testing platform is primarily determined by the

functionalities of the modules and the specific requirements of the customers. For example, the operation system module of an ICV simulation testing platform mainly functions to provide the operation environment for the platform, and therefore, an ICV simulation testing platform only requires one set of operation system module. In contrast, the quantity of the vehicle dynamic models in different ICV simulation testing platforms may vary substantially because each of the vehicle models to be tested needs a matched vehicle dynamic model.

(2) Support for concurrent use by multiple or unlimited users

Our ICV simulation testing platforms allow concurrent use by multiple or unlimited users, enabling multiple simulation tests to be conducted simultaneously. This increases testing efficiency and facilitates cross-department collaboration within a company. In contrast, a single set of our standalone software can only be accessed by one user, limiting it to conducting one test at a time.

The quantity of identical modules in an ICV simulation testing platform is not associated with the number of users that can concurrently use the platform, i.e. the number of access licences granted to the customer.

(3) Matched hardware with high specifications

To accommodate the additional modules and customisation, as well as the need to support concurrent use by multiple or unlimited users and process mass amount of data and information, our ICV simulation testing platforms require hardware with high specifications, such as high performance graphics workstation, real-time simulating machines, high speed simulation processors and driving simulator. Whether supplied by us or purchased separately from third parties, the hardware must be carefully selected to ensure the smooth and property functioning of the ICV simulation testing platforms. In contrast, the hardware requirements for our standalone software products are relatively basic due to a smaller number of their modules and functions.

(4) Greater needs for adaptation and debugging services

While we offer adaptation and debugging services for both types of products, customers generally require more assistance when it comes to adapting and integrating the ICV simulation testing platforms into their IT infrastructure due to the complexity of the additional software modules and hardware parts and components of ICV simulation testing platforms. On the other hand, standalone software products are relatively easier to install and adapt into customers' servers or computers. In addition, the provision of adaptation and debugging services for ICV simulation testing platforms generally takes longer as compared to that for standalone software products.

*Customised ICV simulation testing solutions for ICV simulation testing platforms and standalone software products*

As discussed above, our ICV simulation testing platforms and standalone software products can achieve different levels of customisation. We believe that the ICV simulation testing software and platforms will enable us to keep up with the demand from downstream customers for highly customisable applications and solutions, which is an industry trend in the ICV testing, validation and evaluation solutions industry, according to F&S.

**ICV data platforms and other products**

We only commenced our business for the supply of ICV data platforms and other products in 2021. During the Track Record Period, we recognised revenue from the sale of ICV data platforms and other products of approximately RMB41.9 million, RMB39.5 million, RMB19.9 million and RMB10.9 million, respectively, accounting for approximately 39.2%, 27.1%, 11.3% and 19.6% of our total revenue, respectively. Specifically, our ICV data platforms and other products include (i) building ICV data platforms; and (ii) providing other products.

***ICV data platforms***

In recent years, there has been increasing recognition of the benefits and importance of big data platforms in promoting data collection and sharing, and the innovation and development of the ICV industry. Specifically, solutions providers may compile and collect scattered and isolated vehicle data into comprehensive data platforms and therefore help regulators to effectively track and regulate the data as well as the market overall, according to F&S. In November 2020, the State Council issued New Energy Automotive Industry Development Plan (2021-2035) (新能源汽車產業發展規劃 (2021-2035年)) which puts forward the national plan for the automotive and related industries to build a comprehensive cross-region and cross-industry big data platform to facilitate the data collection and sharing in the ICV and related industries.

Against such background and benefitting from our established market position and reputation as well as our know-how and experience in the ICV testing, validation and evaluation solutions industry, we have been selected by various SOEs based in the PRC in building cloud-based ICV data centres or platforms starting from 2021. Specifically, we were involved in a national project to build an ICV Data Interaction and Comprehensive Application Public Service Platform\* (智能網聯汽車數據交互與綜合應用公共服務平台) to build the national ICV data platform in Beijing. The purpose of this national project is to establish a three-tier ICV data platform system, consisting of national, local and enterprise data platforms to connect a total of no less than 130,000 ICVs in the PRC.

Up to the Latest Practicable Date, we had been involved in the building of ICV data platforms in various cities in the PRC. Such data centres and platforms are used to assist in (i) providing data support for the regulation and operation of ICVs and formulation of relevant policies; (ii) the improvement in the products and the safety alarm system involved in the ICV

industry; and (iii) achieving better information management within their organisations and the integration of technology, business and data. Such platform building projects generally require both hardware components and software solutions to be integrated in a single platform.

During the Track Record Period, our revenue generated from the sale of ICV data platforms amounted to approximately RMB41.9 million, RMB1.4 million, RMB17.8 million and RMB10.9 million, respectively, accounting for approximately 39.2%, 0.9%, 10.1% and 19.6% of our total revenue, respectively.

### *Other products*

In 2022, we also started to offer other products, such as certain hardware parts and components (such as servers, central processing units (CPU) and computer memory (i.e. random access memory (RAM))). To the best of our Directors' knowledge, our customers generally use such products to establish their intelligent connected data centres (智能網聯數據中心) or intelligent transportation platforms (智能交通運輸平台). Our value-added services provided before selling the other products to our customers mainly consist of (i) hardware customisation services, through which we advise customers on the selection of suitable hardware parts and components based on the specific needs and requirements of our customers; and (ii) integration, adaptation and debugging services which primarily include assisting customers in integrating the hardware parts and components purchased from us with the hardware or software parts and components obtained from other sources to ensure the overall compatibility and the smooth functioning of the final product. As such value-added services are ancillary to our sale of the hardware parts and components, instead of being listed as separate items in our contracts, we usually price the hardware parts and components and related value-added services as a whole in our contracts. For details of our pricing policy of the hardware parts and components, please refer to "Pricing – Pricing policy" in this section below.

Prior to our commencement of the other products offerings in 2022, we had already obtained solid expertise and know-how with respect to hardware parts and components in various products, and accumulated extensive project experience in providing hardware customisation services as well as integration, adaption and debugging services, which is primarily attributable to:

- (1) we have a R&D team that is equipped with solid expertise and know-how in both software and hardware, such as hardware testing capabilities. Additionally, our R&D team has the capability of providing hardware-software integrated platform products as further explained in paragraphs (2) and (3) below;
- (2) prior to our commencement of the other products offerings in 2022, we had been involved in the building of ICV simulation testing platforms and ICV data platforms, some of which involve both software and hardware to be integrated into the final products, and require us to select and provide suitable hardware parts and components based on specific needs of the customers and/or technical specifications of the platforms. In particular, most of the hardware parts and components we sold

to our customers of the other products were similar to the hardware parts and components used in our ICV data platforms and/or ICV simulation testing platforms. Those prior experiences in building ICV simulation testing platforms and ICV data platforms helped us to further develop relevant expertise and know-how required in the provision of hardware customisation services with respect to the other products; and

- (3) further, the building of ICV simulation testing platforms and ICV data platforms also generally requires us to integrate the hardware parts and components as well as software parts of the platforms with a view to ensuring the overall compatibility and the smooth functioning of the platforms. This has enabled us to further develop relevant expertise and know-how required in the provision of the integration, adaption and debugging services with respect to the other products.

In 2023, we also started to offer other products in relation to OTA technology to assist customers in meeting regulatory requirements regarding the filing of automotive OTA upgrade information. In China, automotive OTA upgrade (which refers to the upgrade of the software of automobiles through the over-the-air-technology) is regulated by the government. Automotive manufacturers are required to file automotive OTA upgrade information with the government before they can perform automotive OTA upgrade activities. We provide OTA platforms to automotive manufacturers, which are mainly used by them to gather, process and manage automotive OTA upgrade information, and file such information with relevant government authorities as required.

*Our customers of the other products of hardware parts and components*

During the Track Record Period, we sold other products (hardware parts and components) to a total of three customers, including Customer C, Customer F, and another PRC company which is primarily engaged in the provision of technology promotion and application, whose principal products offerings include information management platforms, transportation big data platforms and medical data platforms (“**Customer X**”) in 2022.

We became acquainted with Customer C in 2021 at the 2021 World Intelligent Connected Vehicles Conference (2021世界智能網聯汽車大會), which our Group and Customer C attended as the visitor and exhibitor, respectively. Further, we became acquainted with Customer F and Customer X in 2022 through the introduction by an individual from another PRC technology company.

To the best knowledge and information of our Directors, Customer C, Customer F and Customer X decided to purchase the other products from us, which was primarily attributable to the following factors:

- (1) After years of operations, we have gained solid expertise in hardware and possesses the relevant know-how and project experience in providing hardware customisation, integration, adaptation and debugging services for customers’ projects. We are

capable of providing different types of tailor-made ancillary services to meet the specific needs of Customer C, Customer F and Customer X. These customers require our hardware customisation services to ensure that hardware in proper types, specifications and quantities are procured, and also require our integration, adaptation and debugging services to ensure that the hardware procured from us for building their intelligent connected data centres or intelligent transportation platforms are compatible with other hardware and/or software of these data centres or platforms, so as to facilitate their smooth functioning and achieve the intended purpose.

- (2) We offered the other products to Customer C, Customer F and Customer X at competitive prices due to our bulk purchases of relevant hardware from, and our long-term and stable relationship with Beijing Asiacom Huanyu Technology Company Limited\* (北京亞康環宇科技有限公司), which is our third largest, largest and fourth largest supplier for FY2021, FY2022 and FY2023, respectively.

To the best knowledge and information of our Directors, before engaging us, Customer C, Customer F and Customer X had conducted market research or approached different suppliers for quotations of the other products for comparison, among which the prices offered by us were the lowest.

- (3) Our Directors believe that Customer C, Customer F and Customer X are all interested in expanding their business network by leveraging our business resources in the ICV-related industries. By purchasing our other products, Customer C, Customer F and Customer X intended to explore further collaboration opportunities with us, or to connect with more potential customers and business partners in the automotive and related industries through us. We have referred several potential business partners to each of Customer C, Customer F and Customer X subsequent to their purchases of our other products. To the best knowledge and information of our Directors, Customer C, Customer F and Customer X sourced hardware parts and components from various suppliers instead of a single supplier, with a view to (i) leveraging the strengths (e.g. competitive pricing) of different suppliers in the supply of different types of hardware parts and components; and (ii) expanding their business network with a wider range of suppliers in the market and at the same time prevent over-reliance on any particular suppliers.

The other products and the ancillary services, such as hardware customisation, integration, adaptation and debugging, are products and services that can be provided by other suppliers in the market. Therefore, our Directors believe that, while the factors described in paragraphs (1) to (3) above are considered as major factors, Customer C, Customer F and Customer X might have also taken into consideration other matters including suppliers' sales service and efforts, and their reputation in the relevant industries, and that it is the combined effect of these factors that led to Customer C, Customer F and Customer X to purchase other products from us.



Save as disclosed above and except for Customer C being a distributor of the Relevant Customer (which is wholly owned by the shareholder of the Pre-IPO Investor, Hubble), other than being our customers, none of Customer C, Customer F and Customer X had any past or present relationship, including business, employment, family, trust, financing or otherwise, with our Company and its subsidiaries, their respective shareholders, directors, supervisors, senior management, or any of their respective associates, and each of them is an Independent Third Party.

To the best knowledge and information of our Directors, our customers' intelligent connected data centres or intelligent transportation platforms are built for their own use and not for re-sale. Specifically, the intelligent connected data centre of Customer C is used by it to provide cloud services by way of leasing the cloud infrastructure to downstream customers in a wide range of industries (including automotive, high tech, logistics and advisory industries), which will help them collect, store and analyse data. The intelligent transportation platform of Customer F and Customer X is used by them to provide cloud-related services by way of leasing the cloud infrastructure to customers in the public transportation sector, which will help them collect public traffic data and conduct big data analysis for the purpose of promoting traffic management and optimisation in cities.

Generally, a customer procures the necessary hardware parts and components as well as the related services for initial establishment of its new data centre or platform, which is expected to be established by this customer on an "one-off" basis. Notwithstanding this, after the initial procurement, our customers may expand and/or upgrade their data centres or platforms in future which may require subsequent procurement of hardware parts and components and related services as and when necessary. Therefore, our Directors take the view that the sales of our other products, and related value-added services, are recurring in nature and are not incidental sales activities. In addition, given our experiences and expertise in software and hardware parts and components as well as related hardware customisation services, and integration, adaptation and debugging services, such business forms part of our principal business and we expect to continue to obtain new projects going forward.

Similar to the function of our ICV data platforms, the intelligent connected data centres and the intelligent transportation platforms also function to collect, store, process and manage data. In addition, the intelligent connected data centres and intelligent transportation platforms are relevant to our ICV data platforms in terms that some of their software modules (such as data analysis and management modules) and hardware parts and components (mainly comprising servers and graphics processing units (GPUs)) are similar to those embedded in our ICV data platforms. It also involves similar technical expertise and procedures to integrate, adapt and debug the products in the process of building our ICV data platforms or ICV simulation testing platforms, and the intelligent connected data centres and intelligent transportation platforms.

On the other hand, due to the distinct functions of our ICV simulation testing platforms which are mainly to test, validate and evaluate the functional completeness and safety of ICV intelligent driving solutions, they are not generally regarded as related or comparable products of the abovementioned intelligent connected data centres and intelligent transportation platforms in terms of functions.

Our Directors believe that the other products of hardware parts and components form part of our principal business activities for the following main reasons:

- (1) such business is derived from and closely related to our business of building ICV data platforms, in terms of the functions and/or relevant technical know-how in hardware parts and components. As mentioned above, there is substantial overlap between the hardware parts and components used in the ICV data platforms, ICV simulation testing platforms and such other products. Further, the hardware customisation services and hardware integration, adaption and debugging services involved in the provision of the ICV data platforms and ICV simulation testing platforms on the one hand, and such other products on the other hand, are very similar in terms of the technical expertise required and procedures involved; and
- (2) as part of our principal business, we may receive orders from our customers from time to time who have the need to upgrade and optimise their data platforms or similar products as and when needed, and therefore it is expected that we may sell other products in order to meet our customers' needs.

During the Track Record Period, our revenue generated from the sale of other products amounted to nil, approximately RMB38.0 million, RMB2.1 million and nil, respectively, accounting for nil, approximately 26.2%, 1.2% and nil, of our total revenue, respectively.

Going forward, we plan to constantly develop our core ICV testing, validation and evaluation solutions business including, among others, ICV data platforms and ICV simulation testing platforms. As such, our Directors believe that as our sales network and customer base continue to expand, the demand for our other products (including hardware parts and components, and OTA platforms) will also gradually grow, bringing about more project opportunities for and growth of revenue from the sale of such products.

Additionally, apart from the MIIT's initiative as described above, it is expected that other provincial governments in the PRC will also successively issue similar policies to promote the development of ICV data platform systems at regional level. In the private sector, according to F&S, market players in the ICV industry will gradually expand their business which require the conduct of more data analysis and require more cloud services, hence further boosting the demand for ICV data platforms and other products. We believe we can leverage our experience in assisting SOEs based in various cities in the PRC as well as private sector market players in the ICV industry in building ICV data platforms and our ICV-related project experiences and industry knowledge in general, to capitalise on the growth opportunities in the ICV data platforms and other products market arising from the public and private sectors.

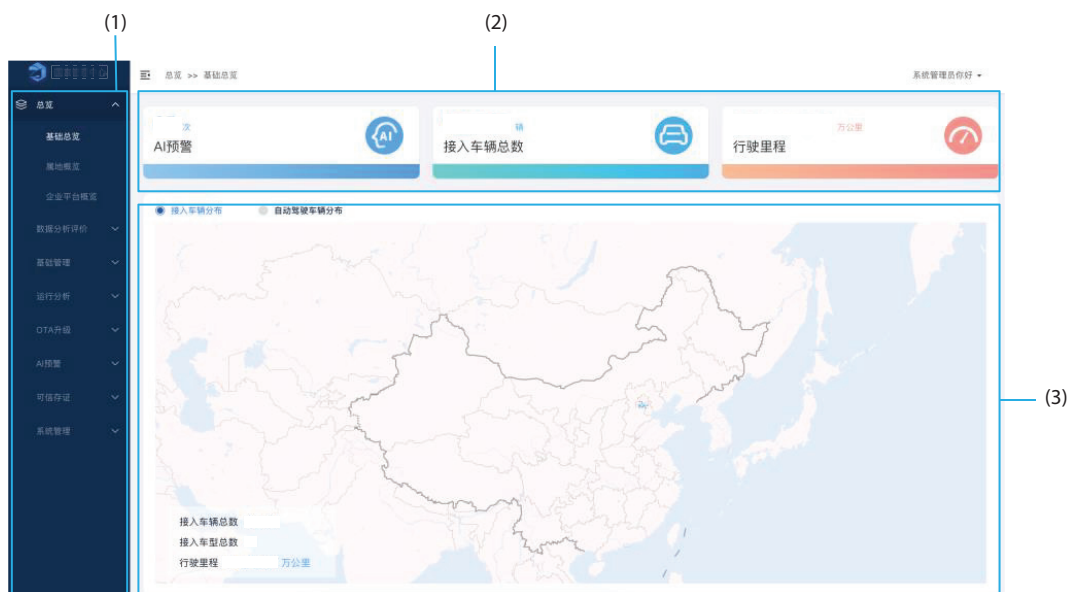
### Case study

#### Beijing Car Internet Technology Development Company Limited\* (北京車網科技發展有限公司)

In 2021, we were engaged by Beijing Car Internet Technology Development Company Limited\* (北京車網科技發展有限公司), an SOE based in Beijing, to implement the national ICV data platform to help the government collect, analyse and manage data of mass-produced ICVs to be commercially launched in the future across the country. The platform was completed in December 2021. Equipped with a variety of data collection, processing and analysis functions, the operation system of the platform consists of (i) an overview module which demonstrates the platform's key data and the operation of the local data platforms and enterprise data platforms; and (ii) basic functional modules which are further divided into several sub-modules assigned for different functions such as data analysis and evaluation, basic management, operation analysis, OTA upgrade, AI alarms and system management.

The screenshots below demonstrate (i) the operation interface; and (ii) the display screen of the national ICV data platform we built in Beijing:

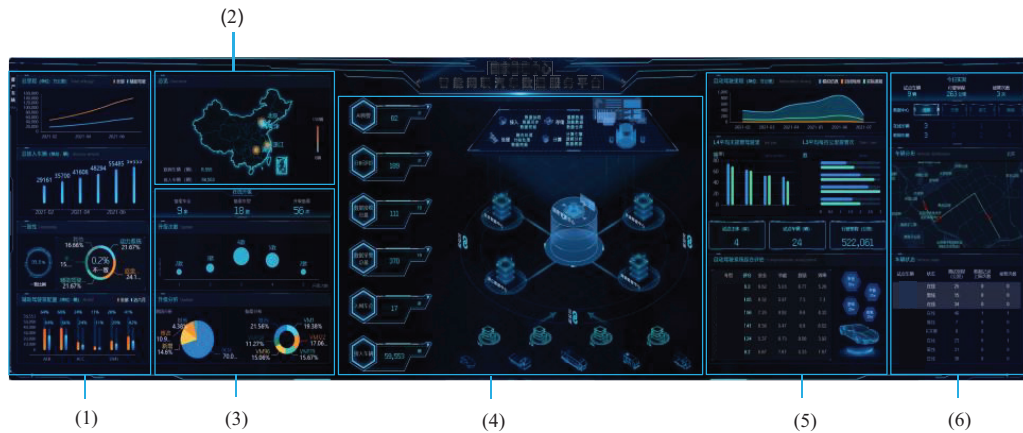
#### (i) Operation interface (overview module)



#### Notes:

- (1) Functional modules bar.
- (2) Statistics of alarms, vehicles collected and driving mileage.
- (3) Numbers, models and driving mileage of ICVs connected to the data centre.

(ii) Display screen



*Notes:*

- (1) Section showing data of ICVs, such as the total number of mass-produced ICVs connected and their total driving mileage.
- (2) Overview of the total number of ICVs connected to the platform and to the internet and their geographic distribution.
- (3) OTA upgrade information section.
- (4) Platform overview section showing the number of alarms issued and analyses and evaluations performed by, the volume of data received by, and the number of enterprises and ICVs connected to the platform.
- (5) Section showing data of ICV testing, validation and evaluation.
- (6) Section showing data of pilot ICVs for market access.

**Upgrade of ICV simulation testing software and platforms and ICV data platforms**

Our ICV simulation testing software and platforms, as well as ICV data platforms, are designed to be flexible and adaptable to the evolving landscape of intelligent driving technologies and regulations in the ICV market. Their modules and functions can be continuously expanded or upgraded to meet such evolvement and the constantly changing customer needs.

The upgrade or expansion of the modules or functions of our ICV simulation testing software and platforms and ICV data platforms are generally priced in accordance with the following manners:

- (i) upgrades within the scope of the original warranty of relevant products are provided to customers without additional charges; and

- (ii) for the upgrades outside the warranty scope of relevant products or the development of new modules or functions which is not generally included in the original warranty scope, we will charge our customers based on factors, such as the customised requirements of our customers, the expected development works required and the standard rates of our staff in relation to the time spent. As such, the prices for the provision of this type of platform upgrade services may vary significantly. We did not generate any revenue from the provision of such upgrade services during the Track Record Period.

### **Our product contracts**

We generally enter into contracts with our customers for the sale of our products on a project-by-project basis instead of entering into long-term contracts. Our Directors consider, as confirmed by F&S, that such arrangement is in line with the industry practice in China.

#### ***ICV simulation testing platforms and ICV data platforms and other products***

Principal terms of the contracts for ICV simulation testing platforms and ICV data platforms and other products we entered into with (i) end customers; or (ii) the main contractor are summarised below:

##### ***Contracts with end customers***

- |                                 |   |  |
|---------------------------------|---|--|
| <b>Scope of work</b>            | : | We will set out the scope of work in the contracts which generally covers supplying all necessary software and hardware components and related services to build and implement the platform.                               |
| <b>Timeline and delivery</b>    | : | Our contracts generally clearly set out the project implementation schedule including the different delivery points during and upon completion of the project.   |
| <b>Contract sum and payment</b> | : | Prices are generally fixed by the parties on a project-by-project basis and may vary from project to project. Payments are made in several stages in accordance with the project implementation schedule.                  |
| <b>Performance bond</b>         | : | Our public sector customers generally require us to provide performance bonds in the amount ranging from 5% to 10% of the awarded contract sum to ensure our due performance and observance of the terms of the contracts. |

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**Warranty period** : We generally offer a warranty period of (i) two years for ICV simulation testing platforms; and (ii) one to three years for ICV data platforms and other products. During this period, we will provide maintenance services and/or other technical support to the customers at no extra fee.

**Validity period and termination** : The contracts generally specify the validity period and they can be terminated in advance of expiry of the validity periods (i) where there is breach of the contract by any of the parties entitling the innocent party to terminate the contracts; (ii) at will upon prior notice to the other party or parties; (iii) upon mutual agreement of the parties; and/or (iv) in other specified circumstances.

**Intellectual property** : We generally specify in the contracts owner of the IP rights developed and/or the parties' liabilities in relation to infringement upon third party IP rights in respect of the products delivered.

Where the contracts specify ownership of IP rights, they generally provide that any IP right created under or as a result of performance of the contracts will be owned by the customers. This typically includes the results of customisation development work specifically provided by us in accordance with the customers' needs and requirements under the relevant contracts. In some cases, the contracts will further provide that any IP right owned by us/the respective parties prior to the contracts will continue to belong to us/the respective parties.

### *Contract with main contractor*

**Scope of work** : The contract sets out detailed specifications of the products to be delivered.

**Performance bond** : We are required to provide performance bond to the customer in the amount of 10% of the total contract value to ensure our due performance and observance of the terms of the contract.

**Timeline and delivery** : The contract clearly sets out the project implementation schedule including the different delivery points during and upon completion of the project.

**Contract sum and payment** : Prices is fixed in the contracts which is payable in several instalments in accordance with the project implementation schedule.

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## BUSINESS

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<b>Warranty period</b>	:	We provide a warranty period of two years for the platform. During the warranty period, we will provide maintenance services and/or other technical support to the customer at no extra fee.
<b>Validity period and termination</b>	:	The contract specifies validity period and the right of the customer to unilaterally terminate the contract upon breach thereof by us.
<b>Intellectual property</b>	:	We authorise our customer to use our IP rights for the purpose of developing and delivering the platform to the end customer. The contracts generally do not specify the ownership of the IP rights developed under the contracts.

### *Direct sale of standalone software products*

The principal terms of our contracts for the direct sale of standalone software products are summarised below:

<b>Product</b>	:	We will set out the software to be sold in the contracts including technical details and specifications of such software and its licence period.
<b>Delivery</b>	:	Our contracts will clearly set out the time and mode of delivery of the software products to our customer.
<b>Contract sum and payment</b>	:	Our software is generally sold at a fixed price payable in one lump sum within a specified period upon delivery of the products or by instalments.
<b>Warranty period</b>	:	We generally offer a warranty period of one year for provision of maintenance and/or technical support at no extra cost.
<b>Intellectual property</b>	:	We may specify in the contracts that the IP rights over the software products sold belong to our Group and/or that the customer's obligation of confidentiality in relation to the IP rights and business secrets in respect of the software products sold.

For details of the principal terms of our agreements entered into with our distributors for indirect sales of standalone software products, please refer to "Sales and marketing – Distribution arrangement – Salient terms of the Distributorship Agreements" in this section below.



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During the Track Record Period and up to the Latest Practicable Date, we did not receive any post-completion or after-sales complaints from our customers regarding any quality issues of our products, and we did not incur any provision or expense in respect of our liability and obligations during the period of our products.

### OUR SERVICES

Our services include the provision of (i) ICV testing and related services; and (ii) advisory and other services, as illustrated by the following chart:

Our services	Sub-categories	Main purposes
<b>ICV testing and related services</b>	Simulation tests and related services	To help customers test, validate and evaluate the safety and driving capabilities of ICVs
	Closed-course site tests and related services	
	Platform operation and maintenance services	To help customers operate and maintain ICV-related platforms
<b>Advisory and other services</b>	N/A	To offer advice and technical assistance in respect of ICV-related policies, laws and regulations, and industry standards
		To assist government authorities in organising conferences and seminars in the ICV and related industries
		To assist government authorities and technology companies in the testing, operation management and other activities of drones

We believe that such add-on services generally offer our customers with all-in-one support which in turn strengthen their loyalty.

### ICV testing and related services

With our technical expertise and in-depth knowledge of industry compliance standards, we are capable of providing customers with comprehensive ICV testing and related services, including (i) simulation tests and related services (which generally require the use of our core technologies, including *Sim Pro*); (ii) closed-course site tests and related services (which generally do not require the use of our core technologies); and (iii) platform operation and maintenance services (which generally do not require the use of our core technologies).

To the best knowledge and information of our Directors, different ICV models of the same automotive manufacturer require separate ICV testing. Repeated ICV testing are generally required for the same automotive manufacturer for each ICV model when, among others, (i) such ICV model has incorporated new algorithms and components in relation to intelligent driving; (ii) such ICV model has major upgrades and changes of the existing algorithms and components in relation to intelligent driving; (iii) the automotive manufacturer wishes to choose different XiL testing methods under various scenarios; and (iv) the promulgation of new laws, regulations and standards may affect the criteria and scope of ICV testing.

Although the target customers of our ICV testing and related services primarily consist of technology companies and automotive manufacturers in the private sector, during the Track Record Period and up to the Latest Practicable Date, we also provided ICV testing and related services (such as closed-course site tests and operation services) to other types of private sector customers, including companies primarily engaged in cultural, marketing, advertising and/or publication activities. To the best knowledge and information of our Directors, such customers engaged us for the provision of such services primarily due to the fact that (i) some of them were engaged by their downstream customers (such as automotive manufacturers) or otherwise required to make test-drive videos of certain vehicles for marketing purposes (e.g. for the marketing of new vehicle models to be launched on the market); and (ii) some of them were engaged by their downstream customers or otherwise required to perform testing of certain vehicle(s) to issue academic journals or videos on vehicle testing for publication purposes.

During the Track Record Period, we generated revenue from the provision of ICV testing and related services of approximately RMB2.3 million, RMB12.4 million, RMB39.0 million and RMB6.6 million, which accounted for approximately 2.1%, 8.6%, 22.2% and 12.0% of our total revenue, respectively.

### *Simulation tests and related services*

Leveraging our core simulation testing technologies, we provide simulation tests and related services to mainly help our customers to test the intelligent driving algorithms and their related key components of ICVs using our self-developed simulation testing and analytical tools (e.g. *Sim Pro* and *Safety Pro*).

We offer simulation testing services to assist our customers in their R&D activities related to ICVs by helping them to test and verify the intelligent driving functions and safety levels of their ICV products and technologies in virtual driving environments. We were appointed as an ICV third party testing institution in Hangzhou by the relevant government authority in Hangzhou in September 2018 for a period of five years (“**Hangzhou Appointment**”). Such appointment enabled us to provide ICV testing and related service and assist local enterprises in applying for ICV open-road test licences in Hangzhou. During the Track Record Period, we generated revenue of approximately RMB1.4 million, RMB0.3 million, nil and nil from the provision of simulation tests and related services by reason of the Hangzhou Appointment, respectively, which accounted for approximately 1.3%, 0.2%, nil and nil of our total revenue, respectively. The Hangzhou Appointment expired in September 2023 and we do not expect to renew it in the future.

During September 2018 to September 2023, we also provided simulation tests and related services by assisting our customers in their applications for ICV open-road test licences in China. ICV open-road tests use public roads to test and assess the performance of ICVs and their ability to drive safely in real world traffic conditions.

During the Track Record Period, our revenue from the provision of simulation tests and related services amounted to approximately RMB1.5 million, RMB2.9 million, RMB11.2 million and nil, respectively, accounting for approximately 1.4%, 2.0%, 6.4% and nil of our total revenue, respectively.

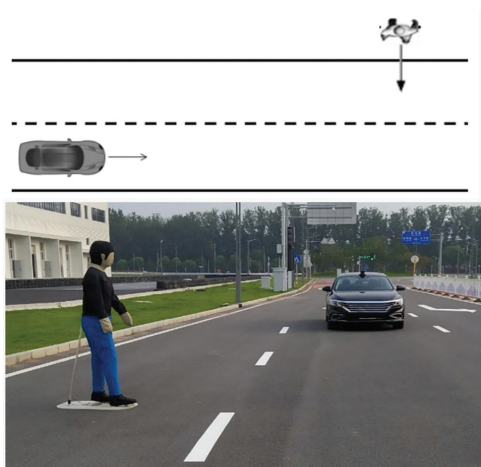
### *Closed-course site tests and related services*

We provide ICV closed-course site tests and related services to customers at the Shunyi Testing Site, which is a government-designated and constructed closed-course ICV testing site located in Shunyi District, Beijing. It occupies an area of approximately 182,000 sq.m., including testing roads of approximately 110,000 sq.m. that cover high-way testing areas, express way testing areas as well as urban and rural roads testing areas. In addition, it is equipped with comprehensive internet connected systems specifically designed for ICVs, such as an intelligent transport system and a vehicle-road collaboration system. With the facilities of the Shunyi Testing Site, we are able to conduct physical closed-course site tests of ICVs in all types of scenarios required for ICV closed-course site testing under the Technical Requirements for Closed-course Testing Site for Autonomous Driving Vehicles T/CMAX116-2018\* (自動駕駛車輛封閉試驗場地技術要求T/CMAX116-2018), which is an association-level standard issued by Zhongguancun Zhitong Intelligent Transport Industry Alliance\* (中關村智通智能交通產業聯盟).

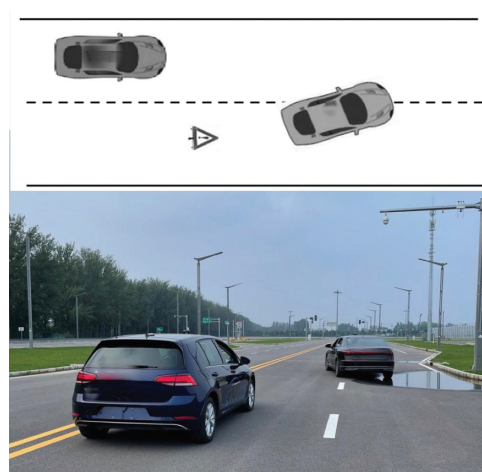
The purpose of our closed-course site tests and related services is mainly to assist our customers in their ICV-related R&D (such as basic driving function tests and tests of ICV's capabilities of responding to emergency situations) and other activities through, among other things, ICV tests in physical environments as an important testing method in the process of their continuous R&D of ICV products.

The following diagrams illustrate two typical scenarios of ICV closed-course site tests we conducted at the Shunyi Testing Site during the Track Record Period:

(1)



(2)



*Notes:*

- (1) Test vehicle driving towards a pedestrian suddenly appearing and crossing the road.
- (2) Test vehicle driving towards another vehicle staying in the middle of the road and over the lane line.

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## BUSINESS

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In respect of the services described above, we entered into the Shunyi Agreement with Customer A, salient terms of which are set out below:

- Scope of service** : We are entrusted to operate and manage the Shunyi Testing Site to provide ICV testing and related services.
- Term of operation** : We are required to operate and manage the Shunyi Testing Site from 14 January 2022 until 10 February 2025. We have the right of first refusal to obtain renewed operation right or right to purchase the Shunyi Testing Site (where applicable) during the term of the Shunyi Agreement and upon expiry of the aforesaid term.
- Payment arrangement** : We are required to pay Customer A a fixed sum of RMB38 million (“**Fixed Fee**”), regardless of whether any profit is made from our actual operation of the Shunyi Testing Site. Such Fixed Fee can be paid in three instalments: (i) RMB10 million to be paid before 10 February 2023; (ii) RMB13 million to be paid before 10 February 2024; and (iii) RMB15 million to be paid before 10 February 2025. We are entitled to all revenue generated from operating the Shunyi Testing Site.
- Operating costs** : Customer A is liable for the basic operating costs arising from the Shunyi Testing Site, such as water and electricity bills, land use charges, fees, for maintenance of the site and its facilities, etc., whilst we are liable for the costs arising from our operation of the site, such as taxes and office expenses.
- Intellectual property rights** : Customer A owns the IP rights over the materials and work results it provides to us pursuant to the Shunyi Agreement. Similarly, we continue to own, during the term of and upon expiry or termination of the Shunyi Agreement, the IP rights over the materials, software, hardware, etc., owned by us prior to entering into this agreement.
- Further, we own the IP rights over the data, materials, software, hardware, etc. obtained by us during our performance of the Shunyi Agreement.
- Termination** : Each party is entitled to amend or terminate the Shunyi Agreement unilaterally in specified events involving the other party’s default.

During the Track Record Period, we generated revenue from the provision of closed-course site tests and related services of approximately RMB0.7 million, RMB8.6 million, RMB26.9 million and RMB6.4 million, respectively, accounting for (i) approximately 31.1%, 69.4%, 69.0% and 97.2% of our revenue attributable to ICV testing and related services, respectively; or (ii) approximately 0.7%, 5.9%, 15.3% and 11.6% of our total revenue, respectively.

*Commercial rationale for entering into the Shunyi Agreement with Customer A*

Closed-course site testing is an important method of ICV testing, validating and evaluating under the multi-pillar approach. According to F&S, the market size of road testing services for ICVs in terms of revenue in China is expected to increase from approximately RMB0.6 billion in 2024 to approximately RMB3.7 billion in 2030, growing at a CAGR of approximately 35.0%. Accordingly, we believe that there will be an increasing demand in the private sector for ICV closed-course site tests. Entering into the Shunyi Agreement with Customer A has enabled us to provide ICV closed-course site testing services and benefit from China's growing ICV road testing market.

Although we had a low level of revenue from the provision of closed-course site tests and related services during FY2022 which is mainly attributable to the adverse impacts of COVID-19 as disclosed in “Business – Our services – ICV testing and related services – Closed-course site tests and related services – Impacts of COVID-19” in this section below, our revenue from closed-course site tests and related services increased significantly by approximately 210.6% from approximately RMB8.6 million during FY2022 to approximately RMB26.9 million during FY2023. Leveraging our growing sophistication in operating and managing the Shunyi Testing Site and our experiences and reputation in the ICV testing, validation and evaluation solutions industry, we believe that we are in a position to seize the growing market demand for ICV closed-course site testing services and continue to generate revenue from the provision of closed course site tests and related services.

Furthermore, our Directors believe that our role as the appointed operator of the Shunyi Testing Site, which is a government-designated ICV closed-course testing site and one of the very few ICV close-course testing sites in Beijing, affords us a competitive edge in engaging with a greater number of market participants in the ICV and related industries. This position will contribute to the expansion of our customer base.

The Shunyi Agreement will expire on 10 February 2025. Subject to the terms of renewal of the Shunyi Testing Site to be offered which are fair and reasonable in the interest of our Company and Shareholders as a whole, we plan to renew the agreement upon its expiration in due course. However, we do not have present intentions to enter into similar arrangements for the operation of other closed-testing sites in China.

### *Impacts of COVID-19*

Our business operations had been adversely affected by the COVID-19 situation during 2022, which, according to F&S, had led to automotive manufacturers and technology companies in the ICV industry slowing down their R&D activities and plans to different degrees, resulting in lower demand for ICV testing services in the industry as a whole. Further, due to restrictions on travel and mobility for the purpose of containing the spread of COVID-19 in the PRC during 2022, some potential customers had delayed or cancelled their plans to visit the Shunyi Testing Site, causing postponement in contract negotiations and signing. This had affected our schedule of signing new contracts with existing or potential customers for our services provided at the Shunyi Testing Site. Due to the COVID-19 pandemic, we also imposed certain restrictive measures in respect of our operations at the Shunyi Testing Site, which, however, did not result in any material cancellation or delay of contracts of our close-course site tests and related services during 2022.

For details, please refer to “Financial information – Impacts of the COVID-19 pandemic – (2) Business conducted at the Shunyi Testing Site affected” in this prospectus and “Risk factors – Risks relating to our business and industry – We face risks related to natural disasters, pandemics, epidemics, acts of war, terrorist activities, social disruption and other outbreaks, which could significantly disrupt our operations.” in this prospectus.

### *Workflow of ICV testing*

#### *Simulation testing*

The ICV simulation testing procedures generally consist of the following steps:

- (i) *Test requirement analysis.* The customers’ requirements for testing will be analysed, based upon which the scope of testing will be defined and the test cases (測試用例) will also be formulated. Test cases refer to a variety of scenarios and conditions in which the vehicle will be tested to assess how it responds to different driving situations, such as normal driving conditions, extreme weather conditions and night driving conditions.
- (ii) *Set-up.* Based on the testing requirements, the simulation testing software will be set up, including (a) the ego vehicle, which mainly consists of vehicle dynamic models and sensor models; and (b) the testing scenarios, which mainly consist of maps or the static environment and dynamic scenarios.
- (iii) *Simulation test execution.* The simulation test can then be executed. In this process, the ego vehicle is placed in the pre-designed testing scenarios to test its performance.

- (iv) *Test result evaluation.* The simulation testing software/platform will generate test result, which will be evaluated as to determine whether the vehicle's performance meets the expected requirements and identify issues for improvements.

### ***Closed-course site testing***

The ICV closed-course site testing procedures generally consist of the following steps:

- (i) *Vehicle preparation.* This step involves preparing the ICV to be tested, equipping it with all necessary software and hardware, and making sure that it complies with all applicable safety and technical standards.
- (ii) *Test plan design.* Based on the testing requirements, a detailed test plan will be developed, including without limitation test routes, road conditions and traffic conditions. This is to ensure that the vehicle will drive in a pre-determined environment.
- (iii) *Testing.* The test will then be conducted, and the performance of the vehicle will be closely monitored and recorded in real-time during the testing process.
- (iv) *Test result analysis.* After the test, the test data will be analysed to determine whether the vehicle's performance meet the expected requirements and identify issues for improvements.

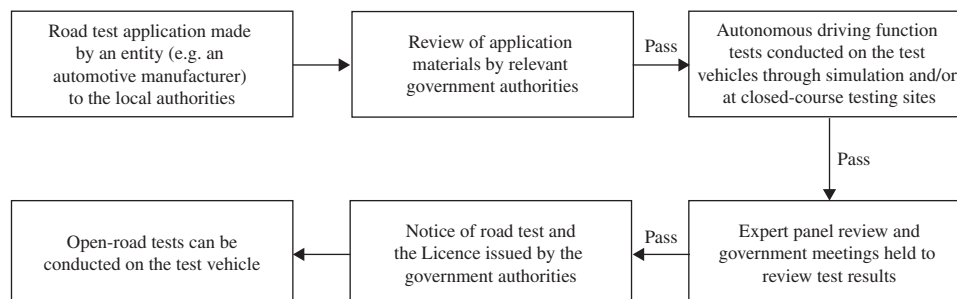
### ***Open-road testing***

Open-road testing is an important validation method during the R&D process of ICVs. It assists in the R&D of ICVs by further validating and improving the safety and functionalities of ICVs through testing their performance under realistic, complex and random road and traffic conditions in the real world. Furthermore, at the market entry stage, similar to simulation testing and closed-course site testing, open-road testing is also a mandatory testing requirement for ICVs at L3 and above under relevant policies in the PRC as disclosed in “Our customers – Sustainability of our Group’s business (1) Strong policy support for the ICV related industries – Regulatory requirements” in this section below. The ICV open-road testing in the PRC generally involves the following steps:

- (i) *Obtaining permit.* Entities wishing to test ICVs at L3 and above on open roads in the PRC are usually required to obtain from relevant government authorities an open-road test licence (開放道路測試牌照) (the “**Licence**”) for the vehicle to be tested. The application process and requirements for the Licence may vary from region to region, which are governed by various national and local regulations and policies on open-road testing of ICVs (the “**Road Testing Regulations**”). For details of the Road Testing Regulations, please refer to “Regulatory overview – Regulations and policies on AI technologies, autonomous driving vehicles, and road testing of ICV – Regulations and policies on road testing of ICV” in this prospectus.



The chart below illustrates certain key procedures involved in an application for the Licence:



- (ii) *Testing.* After the Licence is obtained, the vehicle will be tested on designated public roads. The performance of the vehicle will be closely monitored and recorded in real-time during the testing process.
- (iii) *Test result analysis.* After the test, the test data will be analysed to determine whether the vehicle's performance meet the expected requirements and identify issues for improvements.

### ***Platform operation and maintenance services***

We also provide operation and maintenance services in respect of the ICV-related platforms built by us for our customers. During the Track Record Period, our revenue from such services amounted to approximately RMB0.1 million, RMB0.9 million, RMB0.9 million and RMB0.2 million, which accounted for approximately 0.1%, 0.6%, 0.5% and 0.3% of our total revenue, respectively.

### **Advisory and other services**

Although ICVs are still at a preliminary development stage and ICV-related laws, rules, regulations and policies are still evolving, it is expected that the ICV industry will be subject to a more stringent regulatory environment when such laws, rules, regulations and policies are formally promulgated.

As a market player which has been engaged in the ICV testing, validation and evaluation solutions industry in the PRC since its early development stage, we pride ourselves in having obtained in-depth knowledge and understanding of the domestic and international industry standards as well as the evolving laws and regulations and policy trends that govern the ICV industry, by reason of our (i) continuous study and research of and familiarity with ICV-specific industry standards, laws, rules, regulations and policies in China and around the world; (ii) heavy involvement in the development and formulation of a number of important domestic industry standards relating to ICVs; and (iii) innovative capabilities and experience accumulated in the industry over the years.

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## BUSINESS

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The table below sets forth several major published domestic standards which we have been involved in formulating as at the Latest Practicable Date:

Name of standard	Issuing date
Technical Requirements for Autonomous Driving Vehicle Simulation Testing Platform in Beijing T/CMAX 121-2019* (北京市自動駕駛車輛模擬仿真測試平台技術要求T/CMAX 121-2019)	15 October 2019
Simulation Test and Evaluation Method for Advanced Emergency Braking System of Commercial Vehicles T/ITS 0155-2021* (營運車輛自動緊急制動系統仿真測試與評價方法T/ITS 0155-2021)	7 December 2021
Artificial intelligence – Automated driving system of autonomous delivery vehicle – Definitions and requirements of simulation scenario – Part I: City roads T/CEAE 1240.1-2023* (人工智能自動配送車自動駕駛系統仿真測試場景:城市道路T/CESA 1240.1-2023)	13 January 2023
Artificial intelligence – Automated driving system of autonomous delivery vehicle – Definitions and requirements of simulation scenario – Part II: Restricted park T/CEAE 1240.2-2023 (人工智能自動配送車自動駕駛系統仿真測試場景:封閉園區T/CESA 1240.2-2023)	13 January 2023
Technical requirements of scenario database and specification of simulation testing for V2X applications T/CSAE 297-2023* (面向V2X網聯應用的場景庫技術要求和仿真規範T/CSAE 297-2023)	21 April 2023

We offer advisory and other services to the PRC government authorities or SOEs in the public sector and automotive manufacturers in the private sector. In respect of our advisory services, we assisted automotive manufacturers in understanding and complying with the ICV-related domestic and international laws, regulations and/or standards, in particular those relating to software upgrade, OTA technology, simulation testing, SOTIF, FuSa, cyber security and data security matters concerning ICVs, by (i) reviewing materials (including R&D and production policies, safety manuals, user manuals, etc.) of our customers and/or their ICV products; and (ii) issuing advisory report which will include policy updates as well as our advice in relation to improving the technologies and/or products of our customers. As an early market player in the industry with in-depth industry knowledge and experience as well as familiarity with industry laws, regulations and standards, we are able to offer customers with standard-related advice in this fast-changing technology era and the evolving standardisation environment.

For our other services, we assist government authorities or their SOEs in organising conferences and seminars in the ICV and related industries. For example, we were engaged by a government authority in Hangzhou to organise two seminars in 2022 for promoting works in relation to Hangzhou's Unmanned Aerial Vehicle Testing Zone (無人駕駛航空試驗區) and ICV road test.

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## BUSINESS

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In 2021, leveraging our software platforms used for drone-related operation management and testing which were independently developed based upon our core technologies in ICV testing, validation and evaluation, we also expanded our services offerings by starting to provide drone-related services to both public and private sector customers, in response to the increasing use of drones in different industries. The contract value (excluding tax) of our drone-related services (excluding contracts where the fixed contract sum is not specified) ranged from approximately RMB1,000 to approximately RMB0.9 million per contract or project. During the Track Record Period, our revenue from the provision of drone-related services amounted to approximately RMB0.2 million, RMB5.5 million, RMB1.3 million and RMB2.4 million, respectively, accounting for approximately 0.1%, 3.8%, 0.8% and 4.4% of our total revenue, respectively.

Going forward, we intend to further enhance our capabilities of exploring new business opportunities in the drone-related services industry. In the short term, we plan to increase our investment in the R&D of our testing solutions for drones, with a focus on improving the confidence level and precision of the testing of drones. We will also endeavour to explore more project opportunities of our drone-related solutions in the area of low-altitude transport and logistics. In the mid-to-long term, we plan to enhance our R&D and management teams by recruiting more high-calibre talents with experience and expertise in developing or managing drone-related solutions or business with a view to increasing our overall competitiveness in the drone industry.

During the Track Record Period, we generated revenue from the provision of advisory and other services of approximately RMB2.0 million, RMB12.4 million, RMB16.3 million and RMB6.7 million, respectively, accounting for approximately 1.8%, 8.5%, 9.3% and 12.0% of our total revenue, respectively.

### **Our service contracts**

During the Track Record Period, we did not enter into any long-term agreements with our customers, and only entered into written contracts with them on a project-by-project basis, which is in line with industry practice according to F&S. The principal terms of the contracts entered into between us and our customers for each service type can be summarised as follows:

- |                         |   |   |
|-------------------------|---|---|
| <b>Scope of service</b> | : | The contracts set out detailed scope of the services to be provided by our Group, including the type of tests or the subject of our advisory or other services.   |
| <b>Contract sum</b>     | : | The price for our services are generally fixed for each project but may vary significantly from project to project, depending on, among others, the complexity of the services and the volume of work required. |
| <b>Payment terms</b>    | : | Our customers pay us the contract price in a lump sum within a specified period upon signing of the contract or in several instalments. We generally do not grant credit terms to our customers.                |

### **Relevance between ICV levels and our products and services**

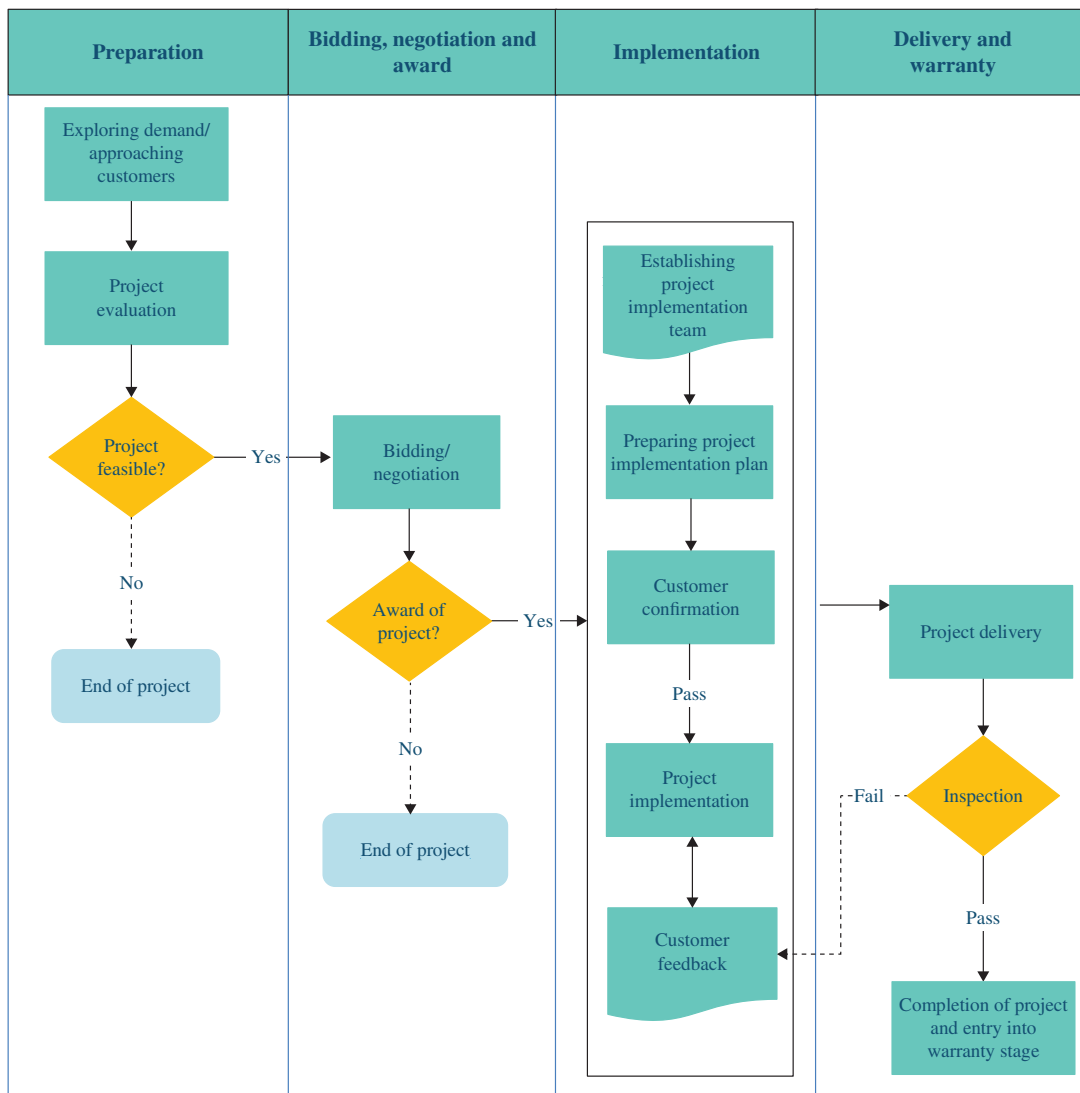
The relevance between different levels of ICVs and products and services of our Group are as follows:

- (1) some of our products and services are not directly related to ICV testing and are therefore not associated with any ICV levels. Such products and services mainly include (i) ICV data platforms and other products, and the corresponding platform maintenance and operation services; and (ii) conference-related and drone-related services under advisory and other services;
- (2) our ICV simulation testing software and platforms can be utilised by our customers to test the algorithms and their related key components of the intelligent driving systems of ICVs and related products and technologies at any level from L1 to L5, and our customer contracts of such products do not generally specify the ICV level of the customers' products/technologies. In practice, customers may use our ICV simulation testing software and platforms to test the algorithms and their related key components of the intelligent driving systems of ICVs at any level at their discretion; and
- (3) to the best knowledge and information of our Directors, our ICV simulation testing and related services are generally required by our customers to test the algorithms and their related key components of the intelligent driving systems of ICVs at L3 or above, and our ICV closed-course site testing and related services are generally related to ICVs at L1 to L3.

## OUR PROJECTS

### Our project operation and management flow

During the Track Record Period, we generally sold our products and services by engaging in various public sector and private sector projects. We have developed a sophisticated mechanism for project operation and management. The following diagram illustrates the general procedures involved in a project for building an ICV simulation testing platform or ICV data platform (while other types of our projects, such as the sale of standalone software products and other products, and the provision of ICV testing services and advisory services, generally follow such workflow in a simplified or modified way to the extent that is applicable):



### ***Initial preparation stage***

We generally take active steps to explore potential customer demands and project opportunities for our products, including initiating direct visits and participating in industry events such as trade fairs, conferences and seminars. With our reputation in the industry and early cooperation with leading market players in both public and private sectors, we are also approached by customers from time to time through channels such as direct visits.

Once a project opportunity is identified, we will conduct preliminary assessment of the project, including requirements and specifications of the project, the customer's budget, and feasibility and profitability of the project.

### ***Bidding, negotiation and award of project stage***

If we decide to proceed, we will then generally go through the bidding process or submitting quotations for negotiation to secure the project, especially for the large-scale ICV simulation testing and ICV data platform projects. For further details of our negotiation and tendering process, please refer to "Sales and marketing – Negotiation and tendering process" in this section below. Should the customers decide to engage us upon review of our tendering or quotation documents, the parties will then proceed to negotiate and finalise the specific terms of the contract based on the notice of award or tendering or quotation documents and enter into the contract.

### ***Project implementation stage***

We generally establish a project implementation team to prepare project implementation plan, which will specify, among other things, technical details of the project, such as the overall design, specifications of each software and hardware component, and detailed execution timetable. The proposal will then be submitted to our customers for approval.

Once the implementation proposal is approved by our customers, we will proceed to implement the platforms in accordance with the tender or quotation documents and the formal agreement. We may also need to procure the hardware and/or software components to be installed into the ICV simulation testing platforms or ICV data platforms. The necessary hardware and/or software components are generally sourced from our suppliers in the PRC. For further details of our suppliers, please refer to "Our suppliers" in this section below.

We have in place quality control measures which we will strictly adhere to throughout the entire project implementation stage to ensure that our product development process and the products developed meet pre-determined quality standards as well as contract requirements. For further details, please refer to "Quality control" in this section below. We will also maintain close contact with our customers on project execution progress and obtain feedback from them on the work performed from time to time.

***Project delivery and warranty stage***

After all the implementation and installation works are completed, our project deliverables will be subject to a thorough inspection by the customer itself or a third party inspection team (generally an expert panel invited by public sector customers, which is not uncommon in the industry according to F&S). We generally also prepare detailed completion materials and conduct demonstrations of the platform or system's various functions to the customer or expert panel to assist their inspection. If, at the end of the inspection and acceptance process, the customer or expert panel views that the ICV simulation testing platform or ICV data platform is implemented according to the specifications and standards agreed in the contract, it will generally issue a written inspection opinion to such effect which certifies the official completion and delivery of the project. If there are any deficiencies discovered, we will conduct further investigation and rectification works until the defects are remedied to the satisfaction of our customer and/or the expert panel.

Our platform-building contracts normally provide a term of warranty for one to three years starting from completion of inspection and acceptance by the customers or ending on a date specified in the agreement. During the warranty period, we provide maintenance and support services to our customers at no additional costs, such services including repair of defects, software upgrade, technical support, training and/or other after-sales services.

To the best knowledge and information of our Directors and based on our previous experience, we did not incur any costs in respect of the maintenance and technical support during the warranty periods for our products sold to customers during the Track Record Period and up to the Latest Practicable Date. Given that the likelihood of an outflow of resources is remote, no warranty provision had been provided during the Track Record Period.



## BUSINESS

### Our top five projects

The following table set forth the details of our top five projects in terms of revenue recognised during FY2021:

Rank	Project	Customer	Background information and principal business of customer	Details of product(s)/ service(s) provided	Duration of project (Approx.) <sup>(Note)</sup>	Awarded contract amount (excluding tax) (RMB'000)	Revenue (RMB'000)	Percentage to total revenue (%)
1	Project A	Customer A	An SOE principally engaged in technology development, promotion, transfer, and consulting, etc. with a registered capital of RMB204 million	An ICV simulation testing platform	24 months	41,427	41,427	38.8
2	Project B	Beijing Car Internet Technology Development Company Limited* (北京車網科技發展有限公司)	An SOE principally engaged in technology development, consulting, exchange, transfer and promotion with a registered capital of approximately RMB700 million	An ICV data platform	One month	27,257	27,257	25.5
3	Project C	Customer B	An SOE principally engaged in investment and infrastructure construction for innovation hubs with a registered capital of RMB200 million	An ICV data platform	Three months	14,664	14,664	13.7
4	Project D	Beijing Brston	An automotive industry data services provider in China with a registered capital of approximately RMB6 million	Standalone software products of <i>Sim Pro</i> and <i>Safety Pro</i>	One month	8,496	8,496	7.9
5	Project E	The Relevant Customer	An information and communications technology solutions and smart devices provider in China	Standalone software products of <i>Sim Pro</i> and <i>Safety Pro</i>	Less than one month	6,000	6,000	5.6
						<b>Total</b>	<b>97,844</b>	<b>91.5</b>

## BUSINESS

The following table set forth the details of our top five projects in terms of revenue recognised during FY2022:

Rank	Project	Customer	Background information and principal business of customer	Details of product(s)/ service(s) provided	Duration of project (Approx.) <sup>(Note)</sup>	Awarded contract amount (excluding tax) (RMB'000)	Revenue (RMB'000)	Percentage to total revenue (%)
1	Project F	The Relevant Customer	An information and communications technology solutions and smart devices provider in China	ICV simulation testing platform and vehicle dynamic model production system	11 months	36,600	30,600	21.1
2	Project G	Customer C	A PRC company principally engaged in technology development, promotion and transfer, etc. with a registered capital of approximately RMB10 million	Other products, including servers	One month	19,362	19,362	13.3
3	Project H	Customer D	A PRC company principally engaged in technology development, promotion, and the sale of ICV equipment with a registered capital of approximately RMB10 million	Standalone software products, including <i>Sim Pro</i> and <i>Safety Pro</i>	Within one month	16,000	16,000	11.0
4	Project I	Customer E	A PRC company principally engaged in technology development and provision of computer system services with a registered capital of approximately RMB70.9 million	Standalone software products, including <i>Sim Pro</i> and <i>Safety Pro</i>	Within one month	15,000	15,000	10.3
5	Project J	Customer F	A PRC company principally engaged in technology development, promotion, and the sale of ICV equipment with a registered capital of approximately RMB10 million	Other products, including CPUs, RAM and servers	Within one month	11,907	11,907	8.2
						<b>Total</b>	<b>92,869</b>	<b>63.9</b>

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## BUSINESS

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The following table set forth the details of our top five projects in terms of revenue recognised during FY2023:

Rank	Project	Customer	Background information and principal business of customer	Details of product(s)/ service(s) provided	Duration of project (Approx.) <sup>(Note)</sup>	Awarded contract amount (excluding tax) (RMB'000)	Revenue (RMB'000)	Percentage to total revenue (%)
1	Project K	Customer G	A PRC company principally engaged in technology development, promotion and sale of hardware and software products, and also a player in biometric authentication industry with a registered capital of approximately RMB73.4 million	ICV simulation testing platform	Within one month	40,000	40,000	22.8
2	Project L	Customer H	A PRC limited liability company primarily engaged in cloud computing, software, information and intelligent driving technology services with a registered capital of RMB60 million	ICV simulation testing platform	Within one month	9,246	9,246	5.3

## BUSINESS

Rank	Project	Customer	Background information and principal business of customer	Details of product(s)/ service(s) provided	Duration of project (Approx.) <sup>(Note)</sup>	Awarded contract amount (excluding tax) (RMB'000)	Revenue (RMB'000)	Percentage to total revenue (%)
3	Project M	China Merchants Testing Vehicle Technology Research Institute Company Limited* (招商局检测车辆技术研究院有限公司)	An enterprise mainly engaged in research and experimental development in China with a registered capital of RMB300 million	ICV data platform	Three months	8,547	8,547	4.9
4	Project N	Customer W	A PRC company primarily engaged in the R&D of V2X intelligent system and the provision of related solutions with a registered capital of approximately RMB41.5 million	ICV data platform	Two months	8,053	8,053	4.6
5	Project O	Customer I	A PRC company principally engaged in providing autonomous driving technology and operation service with a registered capital of approximately RMB387.0 million	Standalone software products	Within one month	7,000	7,000	3.9
						<b>Total</b>	<b>72,846</b>	<b>41.5</b>

## BUSINESS

The following table set forth the details of our top five projects in terms of revenue recognised during 6M2024:

Rank	Project	Customer	Background information and principal business of customer	Details of product(s)/ service(s) provided	Duration of project (Approx.) <sup>(Note)</sup>	Awarded contract amount (excluding tax) (RMB'000)	Revenue (RMB'000)	Percentage to total revenue (%)
1	Project P	Customer I	A PRC company principally engaged in providing autonomous driving technology and operation service with a registered capital of approximately RMB387.0 million	ICV simulation testing platform	Approximately one month	16,566	16,566	29.8
2	Project Q	Customer K	A PRC company primarily engaged in the R&D and promotion of AI-related solutions, which are applied in areas such as intelligent transportation, smart homes, autonomous vehicles, and advanced driver assistance systems with a registered capital of approximately RMB17.0 million	Standalone software products	Approximately one month	11,841	11,841	21.3
3	Project R	Customer L	A PRC public institution primarily engaged in certification services, extensive testing services, and data-related services with a registered capital of approximately RMB96.5 million	ICV data platform	Approximately four months	7,965	7,965	14.3

## BUSINESS

Rank	Project	Customer	Background information and principal business of customer	Details of product(s)/ service(s) provided	Duration of project (Approx.) <sup>(Note)</sup>	Awarded contract amount (excluding tax) (RMB'000)	Revenue (RMB'000)	Percentage to total revenue (%)
4	Project S	China FAW Company Limited* (中國第一汽車股份有限公司)	A PRC company engaged in the development, manufacturing and sales of automobiles and related products with a registered capital of RMB78 billion	Advisory services	Approximately 16 months	3,000	3,000	5.4
5	Project T	Customer M	A PRC company primarily engaged in the R&D and sales of automobile-related technology and components with a registered capital of RMB50 million, and a subsidiary of a PRC company which is listed on the Shanghai Stock Exchange with a market capitalisation of approximately RMB197.9 billion as at the Latest Practicable Date	ICV data platform	Still in progress as at the Latest Practicable Date	3,528	2,939	5.3
						<b>Total</b>	<b>42,310</b>	<b>76.2</b>

*Note:* This refers to the period from signing of contracts between our Group and our customers until delivery of products/services to our customers.

## BUSINESS

### OUR CUSTOMERS

#### Types of our customers

We sell our products and provide our services to customers from both public and private sectors in the PRC. The following table sets forth a breakdown of our revenue attributable to public and private sector customers for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Public sector										
customers <sup>(Note 1)</sup>	84,819	79.3	9,026	6.2	20,607	11.7	12,922	59.7	8,745	15.7
Private sector										
customers <sup>(Note 2)</sup>	22,087	20.7	136,359	93.8	155,096	88.3	8,705	40.3	46,815	84.3
<b>Total</b>	<b>106,906</b>	<b>100.0</b>	<b>145,385</b>	<b>100.0</b>	<b>175,703</b>	<b>100.0</b>	<b>21,627</b>	<b>100.0</b>	<b>55,560</b>	<b>100.0</b>

*Notes:*

1. Our public sector customers generally refer to SOEs and local governments or other government authorities in the PRC and our products and services offered thereto are ultimately for the government's administrative and public usage purposes, such as, in respect of our ICV data platforms, the collection, storage, processing and management of vehicle data of ICVs so as to facilitate the government's administration of ICVs (including the determination of liabilities in traffic accidents involving ICVs). During the Track Record Period, we mainly provided ICV simulation testing software and platforms, ICV data platforms, and advisory and other services to our public sector customers.
2. Our private sector customers mainly include automotive manufacturers and technology companies (which can also include SOEs) and our products and services offered thereto are ultimately for their private and commercial purposes. During the Track Record Period, we mainly provided ICV simulation testing software and platforms, other products (including hardware parts and components, and OTA platforms), ICV testing and related services, and advisory and other services to our private sector customers.



## BUSINESS

The table below sets forth a breakdown of our revenue attributable to major types of private sector customers for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Automotive manufacturers	1,907	8.6	9,092	6.7	21,642	14.0	621	7.1	7,721	16.5
Technology companies <sup>(Note 1)</sup>	11,477	52.0	126,048	92.4	129,287	83.4	6,993	80.3	36,866	78.7
Other private sector customers <sup>(Note 2)</sup>	8,703	39.4	1,219	0.9	4,167	2.6	1,091	12.6	2,228	4.8
<b>Total</b>	<b>22,087</b>	<b>100.0</b>	<b>136,359</b>	<b>100.0</b>	<b>155,096</b>	<b>100.0</b>	<b>8,705</b>	<b>100.0</b>	<b>46,815</b>	<b>100.0</b>

Notes:

1. Technology companies mainly include intelligent driving technology companies.
2. Other private sector customers primarily included our distributors and customers primarily engaged in cultural, marketing, advertising and/or publication activities during the Track Record Period.

During the Track Record Period, a majority of our revenue derived from our public sector customers was generated from the projects of ICV simulation testing platforms and ICV data platforms signed with the SOEs based in various cities in China. Our major private sector customers in terms of revenue contribution during the Track Record Period included (i) leading automotive manufacturers, such as China FAW Company Limited\* (中國第一汽車股份有限公司); and (ii) technology companies. They are mainly customers of our ICV simulation testing software and platforms, ICV testing and related services and/or advisory and other services.

During the Track Record Period, only a small portion of our revenue was generated from contracts signed directly with the PRC governments, which amounted to approximately RMB1.0 million, RMB6.7 million, RMB0.5 million and RMB0.9 million, respectively, representing approximately 1.0%, 4.6%, 0.3% and 1.6% of our total revenue, respectively.

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The following table sets forth a breakdown of our gross profit and gross profit margin attributable to our public and private sector customers for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	Gross		Gross		Gross		Gross		Gross	
	Gross profit		Gross profit		Gross profit		Gross profit		Gross profit	
	profit margin		profit margin		profit margin		profit margin		profit margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Public sector customers	43,221	51.0	4,701	52.1	18,776	91.1	11,935	92.4	8,501	97.2
Private sector customers	20,823	94.3	90,675	66.5	105,788	68.2	1,249	14.3	30,563	65.3
Total/Overall	64,044	59.9	95,376	65.6	124,564	70.9	13,184	61.0	39,064	70.3

### Our major customers

During the Track Record Period, our major customers are located or headquartered in Beijing, Zhejiang Province, Guangdong Province, Shanxi Province, Jilin Province and Henan Province.

Details of our top five customers for FY2021 are set forth below:

Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue	Percentage to total revenue
						(RMB'000)	(%)
1	Customer A	An SOE principally engaged in technology development, promotion, transfer, and consulting, etc. with a registered capital of RMB204 million	Public sector customer	ICV simulation testing software and platforms; ICV testing and related services	2019	41,710	39.0

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Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
2	Beijing Car Internet Technology Development Company Limited* (北京車網科技發展有限公司)	An SOE principally engaged in technology development, consulting, exchange, transfer and promotion with a registered capital of approximately RMB700 million	Public sector customer	ICV data platforms and other products	2021	27,257	25.5
3	Customer B	An SOE principally engaged in investment and infrastructure construction for innovation hubs with a registered capital of approximately RMB200 million	Public sector customer	ICV data platforms and other products; ICV testing and related services	2019	14,742	13.8
4	Beijing Brston	An automotive industry data services provider in China with a registered capital of approximately RMB6 million	Private sector customer	ICV simulation testing software and platforms	2021	8,496	7.9
5	The Relevant Customer <sup>(Note)</sup>	An information and communications technology solutions and smart devices provider in China	Private sector customer	ICV simulation testing software and platforms; ICV testing and related services	2018	7,688	7.2
<b>Total</b>						<u>99,893</u>	<u>93.4</u>

*Note:* The Relevant Customer refers to three entities all belonging to the same group with a registered capital of RMB430 million, RMB5 billion and approximately RMB40.6 billion, respectively.

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## BUSINESS

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Details of our top five customers for FY2022 are set forth below:

Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
1	The Relevant Customer <sup>(Note)</sup>	An information and communications technology solutions and smart devices provider in China	Private sector customer	ICV simulation testing software and platforms; ICV testing and related services	2018	35,500	24.4
2	Customer C	A PRC company principally engaged in technology development, promotion and transfer, etc. with a registered capital of approximately RMB10 million, whose principal products offerings include monitoring platforms and centres, and information services centres and platforms which provide cloud services for customers in, among others, the automotive, logistics and technology industries	Private sector customer	ICV data platforms and other products	2022	19,362	13.3
3	Customer D	A PRC company principally engaged in technology development, promotion, and the sale of ICV equipment with a registered capital of approximately RMB10 million	Private sector customer	ICV simulation testing software and platforms	2022	16,000	11.0

## BUSINESS

Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
4	Customer E	A PRC company principally engaged in technology development and provision of computer system services with a registered capital of approximately RMB70.9 million	Private sector customer	ICV simulation testing software and platforms	2021	15,000	10.3
5	Customer F	A PRC company principally engaged in technology development, promotion, and the sale of ICV equipment with a registered capital of approximately RMB10 million, whose principal products offerings include information management platforms, transportation big data platforms and medical data platforms, and whose major target customers include government authorities, city bus companies and companies in the medical-related industries	Private sector customer	ICV data platforms and other products	2022	11,907	8.2
<b>Total</b>						<b>97,769</b>	<b>67.2</b>

*Note:* The Relevant Customer refers to three entities all belonging to the same group with a registered capital of RMB430 million, RMB5 billion and approximately RMB40.6 billion, respectively.

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## BUSINESS

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Details of our top five customers for FY2023 are set forth below:

Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
1	Customer G <sup>(Note 1)</sup>	A PRC company principally engaged in technology development, promotion and sale of hardware and software products with a registered capital of approximately RMB73.4 million	Private sector customer	An ICV simulation testing platform	2023	40,000	22.8
2	Customer H	A PRC limited liability company primarily engaged in cloud computing, software, information and intelligent driving technology services with a registered capital of RMB60 million	Private sector customer	ICV simulation testing software and platforms	2023	19,624	11.2
3	Customer I	A PRC company principally engaged in providing autonomous driving technology and operation service with a registered capital of approximately RMB387.0 million	Private sector customer	ICV simulation testing software and platforms; advisory and other services	2023	13,360	7.6

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Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
4	The Relevant Customer <sup>(Note 2)</sup>	An information and communications Technology solutions and smart devices provider in China	Private sector customer	ICV simulation testing software and platforms; ICV testing and related services; advisory and other services	2018	13,116	7.5
5	Customer J <sup>(Note 3)</sup>	A PRC joint stock limited liability company primarily engaged in providing technical research, development and production of electronic products, engineering consultation, autonomous driving operation, intelligent driving, internet of vehicles and new energy with a registered capital of RMB120 million, the shares of which are listed on the Science and Technology Innovation Board of Shanghai Stock Exchange with a market capitalisation of approximately RMB11.4 billion as at the Latest Practicable Date	Private sector customer	ICV testing and related services	2018	11,946	6.7
<b>Total</b>						<b>98,046</b>	<b>55.8</b>



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*Notes:*

- Customer G is also a market player in the biometric authentication industry in China. Its solutions are applied in various industries, including military, finance, public transportation and automotive. It was established in 2011 and had an operating history of more than 12 years as at the Latest Practicable Date. We became acquainted with Customer G at the World Intelligent Connected Vehicles Conference (世界智能網聯汽車大會) in 2023 and commenced business relationship with Customer G in the same year. Customer G engaged us to provide an ICV simulation testing platform which, to the best knowledge and information of our Directors, was integrated by Customer G into its own biometric authentication solutions for the development and provision of an ICV simulation testing platform with biometric authentication functions for the end customer, a leading Chinese automotive manufacturer.
- The Relevant Customer refers to three entities all belonging to the same group with a registered capital of RMB430 million, RMB5 billion and approximately RMB40.6 billion, respectively.
- Customer J was, together with one of its subsidiaries, our customer for our ICV simulation testing software and platforms and our ICV testing and related services for FY2022, and our ICV testing and related services for FY2023, in aggregate contributing revenue of approximately RMB10.7 million and RMB11.9 million for FY2022 and FY2023, respectively. The products and services we sold to Customer J mainly included (i) standalone *Sim Pro* and *Safety Pro* software products; and (ii) ICV testing and related services. Further, during the Track Record Period, we acquired equipment, intangible assets and related services from Customer J mainly for R&D purposes and in relation to the performance of government-commissioned projects with an aggregate contract sum (excluding tax) of approximately RMB16.4 million. Our purchases from Customer J mainly comprised certain simulation testing hardware and software that we do not manufacture and related customised services, including, among others, HiL testing hardware and HiL testing software, and data tracing related solutions. Our Directors confirm that our transactions with Customer J were on normal commercial terms considering contract terms of other transactions of our Group of similar nature and there were no pre-conditions on the aforesaid purchases by Customer J from us.

Details of our top five customers for 6M2024 are set forth below:

Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
1	Customer I	A PRC company primarily engaged in providing autonomous driving technology and operation service with a registered capital of approximately RMB387.0 million	Private sector customer	ICV simulation testing software and platforms	2023	16,566	29.8

## BUSINESS

Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
2	Customer K	A PRC company primarily engaged in the R&D and promotion of AI-related solutions, which are applied in areas such as intelligent transportation, smart homes, autonomous vehicles, and advanced driver assistance systems, with a registered capital of approximately RMB17.0 million	Private sector customer	ICV simulation testing software and platforms	2024	11,841	21.3
3	Customer L	A PRC public institution primarily engaged in certification services, extensive testing services, and data-related services with a registered capital of approximately RMB96.5 million	Public sector customer	ICV data platform and other products	2023	7,965	14.3

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Rank	Customer	Background information and principal business	Type of customer	Product(s)/ Service(s) provided	Year of commencement of business relationship	Revenue (RMB'000)	Percentage to total revenue (%)
4	China FAW Company Limited* (中國第一汽車股份有限公司)	A PRC company primarily engaged in the development, manufacturing and sales of automobiles and related products with a registered capital of RMB78 billion	Private sector customer	Advisory and other services	2022	3,000	5.4
5	Customer M	A PRC company primarily engaged in the R&D and sales of automobile-related technology and components with a registered capital of RMB50 million, and a subsidiary of a PRC company which is listed on the Shanghai Stock Exchange with a market capitalisation of approximately RMB197.9 billion as at the Latest Practicable Date	Private sector customer	ICV data platform and other products	2023	2,939	5.3
<b>Total</b>						<u>42,310</u>	<u>76.1</u>

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For each financial year/period during the Track Record Period,

- (a) revenue generated from our top five customers collectively accounted for approximately 93.4%, 67.2%, 55.8% and 76.1% of our total revenue, respectively; and
- (b) revenue generated from our largest customer accounted for approximately 39.0%, 24.4%, 22.8% and 29.8% of our total revenue, respectively.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date:

- (a) except for Customer B which is a holding company of a substantial shareholder of Zhejiang Fly (a subsidiary of our Company) and is therefore a connected person of our Company (our transactions with Customer B constituted connected transactions), all of our top five customers were Independent Third Parties;
- (b) Customer E was owned as to approximately 3.7% by our Company and approximately 96.3% by 22 Independent Third Parties as at the Latest Practicable Date;
- (c) none of our top five customers was also our supplier in relation to our revenue projects; and
- (d) none of our Directors or Supervisors, their respective close associates, nor any of our Shareholders holding more than 5% of our issued share capital had any interest (direct and indirect) in any of our top five customers.

### **Customer concentration**

Since our Management Group took over the management and operations of our Group in 2018, we focused our business development efforts on building relationship with public sector customers, including some PRC local governments or SOEs, which contributed a significant portion of our aggregate revenue during FY2021. Specifically, during FY2021, our revenue derived from public sector customers amounted to approximately RMB84.8 million, accounting for approximately 79.3% of our total revenue, respectively. As we kept expanding our products and services offerings, and diversifying our customer base (especially in the private sector), the revenue contribution from our private sector customers increased to approximately 84.3% during 6M2024, and the revenue contribution from our public sector customers decreased to approximately 15.7% during 6M2024.

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Our business operations are subject to relatively high level of customer concentration, which was mainly due to a combination of the following reasons:

- (1) According to F&S, the ICV testing, validation and evaluation solutions industry in China is still at the preliminary development stage and it is not uncommon for the market players to have a limited number of customers. However, with the development of the ICV market, the demand from both private and public sectors will increase, which may help reduce the customer concentration in the industry we operate in. For details, please refer to “Our customers – Sustainability of our Group’s business” in this section below; and
- (2) Owing to the substantial contract sum of our ICV-related platform projects, only a limited number of SOEs and large private enterprises can afford such platform building projects at the current preliminary development stage of the ICV industry. Given the large project size and contract sum of such platform building projects undertaken by our Group, it was relatively easy for the relevant customer in each project to become one of our largest customers in terms of revenue in the relevant year/period.

For the relevant risks involved, please refer to “Risk factors – Risks relating to our business and industry – We derived a significant portion of our revenue from a limited number of customers during the Track Record Period and may continue to be exposed to the risk of customer concentration subsequent to the Track Record Period.” in this prospectus.

### **Relevance of our products and services to our customers**

Our products and services are relevant to the downstream customers in both public and private sectors for the following reasons:

#### ***Private sector customers***

To the best of our Directors’ knowledge, belief and information, the main purposes of our private sector customers, mainly automotive manufacturers and technology companies, to purchase our products and services include: (i) to assist in continuous R&D of ICVs or ICV related products and technologies; and (ii) to ensure their products’ compliance with the new and evolving regulatory regime in the ICV industry.

- (1) purchasing our ICV simulation testing software and platforms can enable automotive manufacturers and technology companies to test their ICVs or related products and technologies (usually in the form of autonomous driving algorithms) in the virtual environment. As compared to road testing, simulation testing can achieve mass testing in shorter time, in more extreme scenarios, and in a safer environment. As such, simulation testing has now become the main autonomous driving testing method, as over 90% of the autonomous driving tests (including simulation tests, closed-course site tests and open-road tests) in the PRC are

completed through simulation testing conducted with the help of simulation testing platforms or software and only less than 10% through road testing conducted at closed-course testing sites or open roads, according to F&S;

- (2) purchasing other products from our Group can help private sector customers establish intelligent connected data centres or intelligent transportation platforms, or meeting regulatory requirements regarding the filing of automotive OTA upgrade information;
- (3) engaging us to provide ICV testing and related services can help the automotive manufacturers to test and verify the intelligent driving functions and safety levels of their ICV products and technologies; and
- (4) engaging us to provide advisory services can assist private sector customers in improving their ICV-related technologies and understanding and complying with the new and emerging regulatory regime in the ICV industry, which is still at an early development stage and the domestic and international laws and regulations, technical standards, and policies are still new to most of the market participants. We also offer drone-related services to private sector customers mainly to assist them in testing the functionalities of their drones.

For technology companies specifically, to the best of our Directors' knowledge, belief and information, their purpose of purchasing our products and/or services can be twofold:

- (1) They may purchase the relevant products/services for their own R&D activities in relation to ICVs. For example, in 2021, the Relevant Customer purchased standalone ***Sim Pro*** and ***Safety Pro*** from us, which, to the best of our Directors' knowledge, information and belief were used for its own R&D. During the Track Record Period, the Relevant Customer also engaged us to provide certain services, including (i) simulation tests and related services; and (ii) testing and advisory services in respect of ICVs and related products and technologies developed by the Relevant Customer; and
- (2) They may purchase our products and integrate them with their own solutions for sale to end customers. For example, in 2022, the Relevant Customer purchased our ICV simulation testing solutions, which, to the best of our Directors' knowledge, information and belief, were to be used for building cloud-based ICV simulation testing platforms for automotive manufacturers.

### ***Public sector customers***

During the Track Record Period, the major types of products and services we sold to our public sector customers included (i) the ICV simulation testing platforms; (ii) ICV data platforms; and (iii) advisory and other services. To the best of our Directors' knowledge, belief and information, such products and services are used by the government and may benefit the general public in the following manners:

- (1) *ICV simulation testing platforms*: the main purpose of various local governments in the PRC to purchase our ICV simulation testing platforms (through various SOEs) is to enable local automotive manufacturers and technology companies to perform ICV simulation tests in parallel to the closed-course site tests performed at the relevant closed-course testing sites owned by the government (or their affiliated SOEs), or for the purpose of obtaining ICV open-road test licences. As such, the local enterprises may directly benefit from such platforms.
- (2) *ICV data platforms*: the main purpose of building ICV data platforms for the government authorities is to assist them in collecting, storing, process and managing scattered data relating to ICVs so as to facilitate effective regulation and decision making by the government, which will ultimately promote the development of the ICV industry and benefit the local community as a whole.
- (3) *Advisory and other services*: public sector customers would also engage us to assist the government authorities in organising conferences and seminars in the ICV and related industries, which provide networking and marketing opportunities for stakeholders in such industries and also help them keep in pace with recent industry developments. We also offer drone-related services to public sector customers, which were mainly to assist government authorities in coordinating and arranging the transport and delivery of products (such as swab samples from COVID-19 nucleic acid tests during the COVID-19 pandemic) via drones and to facilitate government's patrol services via drones.

### **Competition with our customers**

Our Directors believe, and F&S concurs, there is no direct or indirect competition with our downstream customers in respect of the sale of ICV simulation testing software and platforms and ICV data platforms for the reasons set forth below:

- (1) We own all IP rights and codes of the ICV simulation testing software we sell to our customers and our customers are not allowed to use such proprietary technologies to develop other ICV simulation testing software and platforms;

- (2) Our private sector customers, such as technology companies and automotive manufacturers, are engaged in the R&D and/or manufacturing of ICVs or ICV-related products and technologies. Given the high entry barriers in the ICV testing, validation and evaluation solutions industry, especially barriers in respect of technological capability and R&D investment in the development of the ICV testing, validation and evaluation solutions, it may take lots of financial resources, time and efforts for the private sector customers to independently develop their own ICV simulation testing software and platforms and will divert their focus away from the R&D of the intelligent driving technologies. Generally, it is more cost-effective to purchase ICV simulation testing software and platforms from suppliers as compared to developing their own, which is an industry practice, according to F&S;
- (3) Notwithstanding that certain technology company customers of our Group can develop and provide ICV-related solutions, they generally do not have a principal business in providing ICV testing, validation and evaluation solutions during the Track Record Period. Our Group and our technology company customers operate in distinct technological domains with different products/services offerings. Specifically, our Group primarily specialises in providing ICV testing, validation and evaluation solutions. In contrast, our Group's technology company customers are predominantly engaged in the R&D and sales of proprietary ICV-related solutions such as autonomous driving solutions and smart cockpit solutions. To the best knowledge and information of our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group's technology company customers purchased ICV testing, validation and evaluation solutions from us mainly for the purpose of their R&D of the aforesaid ICV-related solutions.

Where, in limited cases, technology companies purchased ICV testing products from our Group to integrate such products with their own solutions for further sale, they generally only obtained the right to use our Group's products but the IP rights and underlying code of our Group's ICV simulation testing software still belonged to our Group. As a result, when technology companies sell ICV-related solutions with functions of the core technologies relating to ICV testing, they generally need to procure relevant products from specialised suppliers such as our Group. Hence, there is essentially no direct or indirect competition between us and our technology company customers in respect of the core ICV testing, valuation and evaluation technologies; and

- (4) For our public sector customers, their purpose of purchasing our products, especially the ICV simulation testing platforms and ICV data platforms, is mainly to assist them in regulating or administering the ICVs or the ICV industry.



**Sustainability of our Group's business**

Notwithstanding that the number of our customers is limited during the Track Record Period, our top five customers generally varied from period to period depending on the type of the product or service we provided for them during the Track Record Period. Our Directors consider, and F&S concurs, that the aforesaid issue, together with our customer concentration discussed above, are not uncommon in the ICV testing, validation and evaluation solutions industry in China. Our Directors further believe that our business model is sustainable taking into account the following factors:

(1) *Strong policy support for the ICV-related industries*

According to F&S, the development of ICV industry carries great strategic significance and social-economic benefits in the PRC and is regarded as an important means of transforming and upgrading the automotive industry. In recent years, the PRC central government has published a number of regulations and policies to put forward the development plans and strategies for ICV and related industries, including the Pilot Notice, the Smart Vehicle Innovation and Development Strategy\* (智能汽車創新發展戰略), the New Energy Automotive Industry Development Plan (2021 to 2035)\* (新能源汽車產業發展規劃(2021-2035年)), the Autonomous Driving Classification\* (汽車駕駛自動化分級), and the Automotive Industry Medium- to Long-Term Development Plan of Automotive Industry\* (汽車產業中長期發展規劃). In some cities, the local governments grant direct financial and R&D subsidies to enterprises engaging in ICV-related businesses, including Beijing and Suzhou. According to F&S, on the one hand, such favourable policies and incentives will fuel the growth of the ICV industry, which will in turn stimulate the demand for ICV testing, validation and evaluation solutions from both public and private sector market players; on the other hand, with the continuous advancement of the intelligent driving technologies and the release of ICV market access policies and standards in the future, more and more ICVs and related products will require simulation and/or road testing to be able to enter the market, thus boosting the growth of the ICV testing, validation and evaluation solutions market.

- Mandatory regulatory requirements for ICV simulation tests, open-road tests and closed-course site tests

The MIIT Opinions imposed, among others, the requirement of the ICV simulation tests, open-road tests and closed-course site tests on manufacturers of automotive products with autonomous driving functions. Specifically, pursuant to item 4 of Article VII of the MIIT Opinions, it is required that enterprises that manufacture automotive products with autonomous driving functions shall make sure that their automotive products meet the requirements of, among others, simulation tests, and closed-course site tests and open-road tests.

We can offer certain products and services to assist ICV manufacturers in fulfilling the mandatory requirements of ICV simulation tests and closed-course site tests under the MIIT Opinions. Specifically, we offer (i) ICV simulation testing software and platforms which can enable ICV manufacturers to conduct the required ICV simulation tests for their ICVs on their own; (ii) simulation tests and related services to help ICV manufacturers test and verify the intelligent driving functions and safety levels of their ICV products and technologies and (iii) ICV closed-course site tests and related services which can help ICV manufacturers conduct the required closed-course site tests.

- Regulatory requirements for the market entry of ICVs at L3 and above

According to F&S, ICVs equipped with L3, L4 and L5 autonomous driving technologies are currently not allowed to be sold to the public and can only operate in the specific scenarios for the purpose of experiment and demonstration, as there are still no promulgated laws, regulations or standards regarding their market entry in China. However, on 17 November 2023, the MIIT, the MPS, the MHURD and the MOT issued the Pilot Notice in respect of ICVs at L3 and L4.

The Pilot Notice has launched a pilot programme (the “**Pilot Programme**”) to allow qualified L3 and L4 ICVs (i.e. ICVs that meet specified requirements and with an approved validity period under the Pilot Notice, the “**Pilot ICVs**”) of qualified ICV manufacturers (i.e. manufacturers of the Pilot ICVs that meet the requirements under the Pilot Notice) to access and drive on designated open roads in cities in which the Pilot ICVs operate, which shall also meet specified requirements under the Pilot Notice. However, participation in the Pilot Programme per se does not mean that the Pilot ICVs are allowed for unrestricted market launch in the PRC at the present stage. The Pilot Notice is still at the premature stage of pilot implementation, and it is still uncertain as to the formal requirements and procedures for ICVs to ultimately achieve unrestricted market launch in the PRC, which may be subject to new laws, regulations, policies or guidelines to be published by the PRC government. The Pilot Notice imposed various regulatory requirements on ICV manufacturers and relevant government authorities of cities which wish to participate in the Pilot Programme, and our products and services can assist those entities to fulfil relevant regulatory requirements.

The table below sets out the some of the key regulatory requirements under the Pilot Notice which are relevant to ICV testing, validation and evaluation solutions and how our products and services can assist customers in both public and private sectors in fulfilling the relevant regulatory requirements:

<b>Target customer</b>	<b>Key regulatory requirements under the Pilot Notice</b>	<b>Our products/services</b>
ICV manufacturers	<p>Manufacturers of the Pilot ICVs must, among others:</p> <ul style="list-style-type: none"> <li>• have internal systems for ensuring safety and managing risks and emergencies;</li> <li>• be equipped with a platform to monitor Pilot ICVs;</li> <li>• have the capabilities to ensure driving safety, cyber security and data security of the Pilot ICVs.</li> </ul>	<p>We can offer the following products and services to ICV manufacturers to assist them in fulfilling relevant regulatory requirements under the Pilot Notice:</p> <ul style="list-style-type: none"> <li>• <i>ICV simulation testing software and platforms:</i> to enable ICV manufacturers to conduct simulation tests and FuSa and SOTIF analysis themselves;</li> <li>• <i>ICV data platforms and other products:</i> to equip the ICV manufacturers with the required platform to monitor their Pilot ICVs; to be compatible connected to local and national data centre;</li> </ul>

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Target customer	Key regulatory requirements under the Pilot Notice	Our products/services
	<p>The Pilot ICVs must, among others:</p> <ul style="list-style-type: none"> <li>• meet various requirements in relation to, among others, FuSa, SOTIF, cyber security and data security, software update (i.e. the OTA technologies); and</li> <li>• complete required tests, including simulation tests, closed-course tests, actual road tests, cyber security and data security tests, software update tests and data recording tests.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>ICV testing services</i>: <ul style="list-style-type: none"> <li>– leveraging our self-developed core technologies, <b><i>Sim Pro</i></b> and <b><i>Safety Pro</i></b>, we can provide ICV simulation testing services;</li> <li>– we operate the Shunyi Testing Site and can provide closed-course site tests for ICVs; and</li> </ul> </li> <li>• <i>Advisory and other services</i>: we can issue advisory reports on whether the ICV manufacturers and/or their products comply with relevant regulatory requirements and advise on improvement.</li> </ul>
The governments of the cities in which the Pilot ICVs operate	The city must have a provincial-level or city-level platform to monitor ICVs within its region.	Our ICV data platforms and other products can help governments of cities in which potential Pilot ICVs operate to satisfy this requirement.

In light of the foregoing, we believe that the Pilot Notice provides the market players in the PRC ICV industry a guidance for development and will, upon its formal promulgation in the future, bring more business opportunities for our Group.

In addition, as our Company is headquartered in Haidian District, we received talent rent subsidies during the Track Record Period pursuant to Article 4 of the Fifteen Initiatives to Support the Innovation-led Development of the ICV Industry in Zhongguancun Science City\* (關於支持中關村科學城智能網聯汽車產業創新引領發展的十五條措施) issued by the People's Government of Haidian District, Beijing\* (北京海淀區人民政府) on 5 June 2019. For more details in relation to the abovementioned initiative, please refer to “Industry overview – Market drivers and development trends analysis of the PRC ICV testing, validation and evaluation solutions industry – Key market drivers and trends – Strengthening and standardisation of the new and evolving market regulation” in this prospectus. Furthermore, during the Track Record Period, we received government grants for, among others, the collaboration project with the government in accordance with The New Energy Automotive Industry Development Plan (2021-2035)\* (新能源汽車產業發展規劃(2021-2035年)) and the collaboration project with the government in accordance with the Intelligent Vehicle Innovative Development Strategy\* (智能汽車創新發展戰略).

*(2) Positive industry prospects and growth opportunities in the long run*

We operate in a rapidly developing industry which demonstrates tremendous growth potential in the coming decade. According to F&S, ICVs are expected to achieve widespread acceptance with an expected penetration rate of approximately 65.1% and 23.1% for ADAS-level ICVs and ICVs at L3 and above, respectively in the PRC in 2030, with the expected increase in the sales volume of (a) ADAS-level ICVs to approximately 24.7 million units; (b) ICVs at L3 to approximately 7.1 million units; and (c) ICVs at L4 and above to approximately 1.6 million units, in 2030.

Although the market players in China's ICV industry are still limited in number, it is expected that there will be more participants in the ICV industry and they will contribute to the market demand for ICV testing, validation and evaluation solutions. Specifically, according to F&S, it is estimated that there were approximately 300 to 400 ICV manufacturers in China in 2023. Up to the Latest Practicable Date, we have only provided or are providing services to a small number of automotive manufacturers as only less than 50 ICV manufacturers are engaged in the development of L3 or above autonomous driving solutions. Further, according to F&S, potential direct downstream customers of ICV testing, validation and evaluation solutions providers include not only ICV manufacturers but also other market participants in the ICV industry, such as technology companies, involved in vehicle design, engineering, prototyping, manufacturing, technology R&D and quality control. By 2023, there were approximately

500 to 600 intelligent driving technology companies in the PRC that focus on developing ICV-related software and hardware and providing innovative solutions in relation to various aspects of ICVs, which also require different levels and aspects of ICV-related testing solutions. Such ICV manufacturers and technology companies form part of our primary target customers.

The development of ICVs at L3 or above lags behind ADAS-level ICVs principally because the ICV industry has historically lacked detailed and recognised policy and standards for the systematic development of the L3 or above autonomous driving. However, with the strong policy support for the development of ICVs as mentioned in this section, the growth of the market of L3 or above ICVs is poised to gather strong momentum in the next five to 10 years, which is attributable to the global and domestic heavy investment in the R&D of L3 or above ICVs (including freight and logistics vehicles, passenger vehicles and public vehicles, such as robotaxis), according to F&S. As such, it is estimated that by 2030, there will be approximately 800 to 1,200 ICV manufacturers in China engaging in the development of intelligent driving solutions at L3 or above, along with 2,500 to 3,500 technology companies focusing on the development of ICV-related software and hardware.

In addition, according to F&S, China was the world's largest automotive market with an automotive sales volume of approximately 30.1 million units in 2023, accounting for approximately 36.1% of the total sales volume in the global automotive market. Simulation testing tools form the most important part of the ICV testing, validation and evaluation solutions. Although solutions originated from foreign countries, such as the U.S. and Germany, account for a substantial market share in the global simulation testing tools market, with the rapid development of the local ICV testing, validation and evaluation solutions underpinned by strong policy support from the PRC government, more and more automotive manufacturers in the PRC tend to prefer domestic suppliers for the supply of ICV testing-related products and services that are on par with those under foreign brands. Such preference is strengthened by the following major factors: (i) generally higher prices and/or time costs involved in purchasing, installing, maintaining and/or upgrading tools purchased overseas (especially those with customised functions); (ii) less user-friendliness of foreign simulation testing software in terms of its or the built-in scenarios' compatibility with the driving environments and driver habits or the overall software user habits in the PRC; and (iii) uncertainties and risks in partnering with, hence the need to reduce reliance on, foreign brands, resulting from tensions in international economic and/or political relations, such as the one between the U.S. and China.

The expansion of the market size and application scenarios of ICVs will bring about growth of demand for ICV testing, validation and evaluation solutions.

In view of the growing market trends in favour of domestically developed ICV testing, validation and evaluation solutions, our market position in terms of market share as a PRC-based market player and our established reputation and first mover advantage as explained below, we believe that we are able to compete with both foreign- and PRC-based ICV testing, validation and evaluation solutions providers and capture more project opportunities.

(3) *Continued enhancement of our industry reputation and market position*

Through years of rapid development, our ICV testing, validation and evaluation solutions have been widely known to or used by market players in the field of ICVs in the PRC. According to F&S, customers of ICV testing, validation and evaluation solutions usually have stringent criteria and lengthy processes of selecting suppliers. Therefore, they tend to maintain high loyalty to their selected suppliers. As a qualified supplier with industry-leading certifications such as the ISO 26262 certification, we have established stable business relationship with some of our major customers from the very beginning, including our early cooperation with the industry regulators and SOEs in the PRC, which have given us first-mover advantages in China's ICV testing, validation and evaluation solutions market.

We are also devoted to establishing brand awareness and industry reputation by sticking to high standards of product quality and customer satisfaction for each engagement. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any incident where our customers refused to accept our products or services upon delivery.

(4) *Diversified solutions portfolio to continuously satisfy customers' demands*

Being an integrated ICV testing, validation and evaluation solutions provider, we provide a diversified range of products and services consisting of projects for the sale of ICV simulation testing platforms (cloud based or non-cloud based) and ICV data platforms and other products, sales of standalone software and service projects for providing multi-pillar testing services, as complemented by provision of advisory and other services, which distinguish ourselves from our competitors and give us more competitive edge when bidding for projects in the market. Specifically, we are the largest ICV simulation testing software and platforms provider in the PRC in terms of revenue in 2023, according to F&S. Being a domestic market player in the PRC ICV simulation testing, validation and evaluation solutions industry since its early development stage, we are able to obtain useful information regarding the policies and standards adopted by the PRC authorities and to provide customised and localised solutions for domestic automotive manufacturers to respond to their varying demand to cater to the development of ICVs in the PRC. For further details, please refer to "Our competitive strengths – Product and service portfolio built upon our core technologies" in this section above.

(5) *Our ability and strategies to obtain new contracts from existing customers*

- (a) Examples of purchases of our products and services by existing customers during the Track Record Period

During the Track Record Period, we managed to secure several projects from our existing customers of our ICV simulation testing software and platforms and ICV data platforms, the major examples of which are set forth below:

- The Relevant Customer

The Relevant Customer first awarded two contracts to our Group to purchase ICV simulation testing software in 2021. Subsequently, in 2022 and 2023, it further awarded our Group two projects for the sale of ICV simulation testing software, and one project for the sale of standalone software products, respectively. To the best of our Directors' knowledge, belief and information, the reasons of the Relevant Customer to purchase ICV simulation testing software and platforms from our Group primarily included the following: (i) in 2021, the *Sim Pro* and *Safety Pro* software purchased by the Relevant Customer might be used for its own R&D; and (ii) in 2022, the Relevant Customer purchased the ICV simulation testing solutions from us and integrated such solutions with its own cloud infrastructure for building cloud-based simulation testing platforms for automotive manufacturers.

- Customer B

To the best of our Directors' knowledge, belief and information, the local government in Hangzhou has been actively promoting the development of the local ICV industry in recent years. Thus, it is necessary for the government to equip itself with the relevant advanced technological software and platforms to support its administration and regulation of the ICV industry. In 2019, we entered into an agreement with Customer B, an SOE based in Hangzhou, for developing an ICV simulation testing platform. For further details, please refer to "Income from Government – Government Contracts – Separate agreements entered into by our Group in respect of Government Contract 1" in this section below. In view of the established business relationship, Customer B awarded us another contract for building an ICV data platform and the relevant platform operation and maintenance services in 2021.



- Customer E

Customer E first became a customer of our Group in 2021 by purchasing a set of *Sim Pro* from us. In 2022, it purchased another 10 sets of *Sim Pro* and 10 sets of *Safety Pro* from us, in order to support the development of ICV-related products and technologies (such as the operation systems of ICVs).

- An automotive manufacturer

As mentioned in the example relating to the Relevant Customer above, the Relevant Customer integrated our ICV simulation testing solutions with its own cloud infrastructure for automotive manufacturers. In 2023, one of such automotive manufacturers directly engaged us to enhance such cloud-based simulation solutions by developing a series of new customised modules and functions, such as vehicle dynamic models. Later in the same year, this automotive manufacturer engaged us again to further enhance the cloud-based simulation testing platform by adding new devices and related functions, such as a driving simulator, to the platform.

Furthermore, during the Track Record Period, we successively obtained (i) five contracts from the Relevant Customer for the provision of simulation tests and related services; and (ii) six contracts from a PRC technology company for the provision of closed-course site tests and related services. Such examples demonstrated our ability to generate recurring revenue from our ICV testing and related services.

(b) Strategies to generate recurring revenue from our existing customers

In light of the established amicable relationship with our existing customers and the positive industry prospects and growth opportunities as discussed above, our Directors are of the view that recurring revenue can be derived from our existing customers in the future based on the following strategies:

*ICV simulation testing platforms, and standalone software products*

For the purpose of, among others, improving R&D capabilities and upgrading ICV technologies of our customers so as to maintain their competitiveness with their peers, our Directors expect that our customers may repurchase the following products from us in the future.

Product category	Products and services involved
ICV simulation testing platforms	(i) New or upgraded modules; and (ii) Add-on development services of new customised modules and functions

<b>Product category</b>	<b>Products and services involved</b>
Standalone software products	<ul style="list-style-type: none"> <li>(i) New or upgraded modules;</li> <li>(ii) Add-on development services of customised modules and functions;</li> <li>(iii) Similar version of the single-access standalone software products to increase user licences and ultimately the testing efficiency, or more advanced version; and</li> <li>(iv) Upgrading of their single access version of ICV simulation testing software into ICV simulation testing platforms (which would be generally embedded with a lot more customised modules and functions, and allow multiple access)</li> </ul>

We intend to capture the expected demand for repurchase of our products and increase our market share by the following strategies:

- (i) *Continuous upgrade of our products and technologies.* Our Directors expect that we will continue to launch new versions of our proprietary software (including without limitation ***Sim Pro***, ***Safety Pro***, ***SceCo Pro*** and ***Traffic Pro***) with substantial upgrades and new functions embedded therein to keep up with the rapid technological advancement, constantly changing customer needs and the latest regulatory development, and to maintain our technological competitiveness and market position. We expect to launch substantial upgrade and iteration of new versions of our proprietary software approximately once every three to five years which is, according to F&S, is in line with the industry norm. For details, please refer to “Our strategies – We plan to optimise and upgrade our existing solutions and strengthen our technological advantages” in this section above.

We also provide add-on development services to embed new or customised modules and functions to our existing customers’ products according to our customers’ needs from time to time.

- (ii) *Launch of new products and development of new technologies.* We will continue to develop and commercialise new products and continuously diversify our product portfolio, such as ***SGO Pro***, ***DB Pro*** and ***Cloud Pro*** (which will be developed based on one or more modules within ***Sim Pro*** tool chain). These new tools are expected to attract potential new customers who have the demand for (1) the capability to collect real-world road data and generate road

acquisition scenarios by the customers themselves; (2) quality scenario generalisation and optimisation tools; (3) access to massive and cost-effective scenarios; or (4) cloud-based one-stop ICV simulation testing solution. For details, please refer to “Our strategies – We plan to increase our investment in the innovation and enhancement of new products and solidify our market presence in the ICV testing, validation and evaluation solutions industry” in this section above.

- (iii) *Collaboration with strategic partners.* We will continue to collaborate with our strategic partners in relation to the development of ICV simulation testing solutions for their customers as disclosed above.

### *ICV data platforms and other products*

Our Directors expect that we will be able to obtain new contracts from our existing customers to (i) develop and embed new customised modules and functions into their existing ICV data platforms and other products; and/or (ii) upgrade their original or procure new hardware and servers in their existing ICV data platforms and other products so as to improve the performance thereof. Our ICV data platforms and other products are expected to be upgraded and iterated approximately once every two years, which is, according to F&S, in line with the industry norm.

### *ICV testing and related services*

To the best knowledge and information of our Directors, repeated ICV simulation tests and/or closed-course site tests are generally required for the same automotive manufacturer or technology company when, among others, (1) it has developed new algorithms and components in relation to intelligent driving; (2) it has major upgrades and changes of the existing algorithms and components in relation to intelligent driving; (3) it wishes to choose different XiL testing methods under various scenarios; and (4) there are newly effective regulations and standards that affect the criteria and scope of ICV simulation tests and closed-course site tests.

In addition, according to F&S, different ICV models of the same automotive manufacturer require separate ICV testing. Further, it is expected that more and more ICV models will be developed by automotive manufacturers which will trigger further demands for ICV testing and related services from our customers.

The table below sets forth a breakdown of our revenue attributable to (i) the initial sales of our products or services to our customers under each of our four major product/service categories (i.e. ICV simulation testing software and platforms, ICV data platforms and other products, ICV testing and related services, and advisory and other services) (“**Initial Sales**”) throughout the transaction history between us and the relevant customers; and (ii) the subsequent sales of the same category of products or services to the same customers (“**Subsequent Sales**”) in the same year of the Initial Sales or in any subsequent years for the periods indicated:

	Year ended 31 December				Six months ended 30 June					
	2021		2022		2023		2023		2024	
	No. of customers involved	(Note 1)	No. of customers involved	(Note 1)	No. of customers involved	(Note 1)	No. of customers involved	(Note 1)	No. of customers involved	(Note 1)
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	

*Notes:*

- (1) If a customer (referring to entities belonging to the same group) entered into multiple transactions with our Group in a particular financial year/period which involved either Initial Sales or Subsequent Sales, such customer will only be counted once accordingly in the calculation of the number of customers involved in either Initial Sales or Subsequent Sales for that financial year/period. However, if a customer entered into multiple transactions with our Group in a particular financial year/period which involved both Initial Sales and Subsequent sales, such customers will be counted as one customer for both the Initial Sales and Subsequent Sales (i.e. it will be counted twice).

For example, if a customer purchased our ICV simulation testing software and platforms for the first time, such purchase will be categorised as Initial Sales and such customer will be counted as one customer for Initial Sales for the relevant financial year/period. Later in the same year/period, the same customer (i) made multiple subsequent purchases of our ICV simulation testing software and platforms; and (ii) purchased our ICV data platforms and other products for the first time, its subsequent purchases of our ICV simulation testing software and platforms will all be categorised as Subsequent Sales, and the customer will be counted as one customer involved in the Subsequent Sales for the relevant year/period. Further, its first purchase of our ICV data platforms and other products will also be categorised as Initial Sales, but the customer will not be counted again for the purpose of the number of customers involved in Initial Sales for the relevant year/period.

- (2) This excludes four customers which had both Initial Sales and Subsequent Sales for the same year of FY2021 and were therefore counted only once for the total number of customers for FY2021.
- (3) This excludes six customers which had both Initial Sales and Subsequent Sales for the same year of FY2022 and were therefore counted only once for the total number of customers for FY2022.
- (4) This excludes 10 customers which had both Initial Sales and Subsequent Sales for the same year of FY2023 and were therefore counted only once for the total number of customers for FY2023.
- (5) This excludes two customers which had both Initial Sales and Subsequent Sales for the same period of 6M2023 and were therefore counted only once for the total number of customers for 6M2023.
- (6) This excludes one customer which had both Initial Sales and Subsequent Sales for the same period of 6M2024 and was therefore counted only once for the total number of customers for 6M2024.

We experienced a continuous increase in the number of customers involved in the Subsequent Sales during the Track Record Period. Such increase demonstrated our ability to obtain contracts from existing customers for products and/or services of the same category of their previous purchases.

(6) *Our strategies and plans to obtain new customers for business growth*

We successfully grew the total number of our customers from FY2021 to FY2023. In view of the upcoming business opportunities in the ICV industry in the PRC supported by the favourable industry policies and standards, going forward, we will adopt the following strategies and plans to continue to obtain new customers for business growth:

- (i) We will continuously invest in innovating new products and services to diversify our product and services portfolio in response to customers' demand. In the near term, we will focus on developing new tools, such as **SGO Pro**, **DB Pro** and **Cloud Pro**. For more details, please refer to “Our strategies – We plan to increase our investment in the innovation of new products and solidify our market presence in the ICV testing, validation and evaluation solutions industry” in this section above.
- (ii) We will continue to establish business cooperation with more industry participants in the ICV and ICV testing, validation and evaluation solutions market, such as technology companies and vehicle testing companies, to explore new business opportunities. For example, in April 2023, the Company entered into business cooperation with a CNAS recognised vehicle testing and service institution and Beijing Dysprosium, whereby the parties agreed to cooperate in areas involving, among others, ICV data platforms, scenario databases, and testing, research and advisory services in respect of whole vehicles and parts and components of ICVs.
- (iii) We plan to expand the application of our simulation technologies outside the ICV market and explore new business opportunities in other industries, such as digital city twins, drones and intelligent agriculture. For details of our business strategies in respect of expansion into new industries, please refer to “Our strategies – We plan to increase our investment in the innovation of new products and solidify our market presence in the ICV testing, validation and evaluation solutions industry” in this section above.
- (iv) We intend to continue to recruit more sales staff and enlarge our sales and marketing team, especially by recruiting more senior sales staff with experiences working with or in autonomous manufacturers or other market players in the ICV industry (such as government authorities and technology companies), so as to increase our sales and marketing efforts and explore new modes of sales and marketing channels to promote our products and services targeting different types of customers.
- (v) We intend to expand our business geographically to more cities in China where many market players in the automotive and ICV industries are located and where the local government and relevant laws, regulations and policies are supportive of the ICV industry development, such as Hefei, Jinan, and Xiamen,

so as to gain access to more potential customers. We expect to market and sell our solutions to more customers, such as government authorities and automotive manufacturers in these target cities.

- (vi) During the Track Record Period, a portion of our sizable ICV simulation testing platforms projects, ICV data platforms projects, and advisory and other services projects were obtained through tendering processes. In the future, we intend to continue to frequently review tender notices published by market participants and various government authorities and actively monitor other information sources, including our business partners, to identify potential business opportunities and proactively participate in tenders/quotation submissions for projects in both private and public sectors.
  - (vii) We intend to regularly organise and participate in industry conferences, seminars and trade fairs, such as The World Intelligent Connected Vehicles Conference (世界智能網聯汽車大會) and The BAAI Conference (北京智源大會), to build up our relationship with other industry participants and to enhance brand awareness and reputation in the market.
- (7) *No reliance upon any single customer with expanding and diversifying customer base*

A majority of our revenue during the Track Record Period were generated from selling or building ICV simulation software and platforms and ICV data platforms and other products, which were generally one-off projects. As such, we do not rely on particular customers for our continued revenue growth. Despite the one-off nature of these contracts, in view of the growing customer demand from the ICV industry as well as increasing and diversifying market participants therein as discussed above, we believe that we are able to expand our customer base and obtain new projects on a continuous basis.

In the meantime, we have made and will continue to make efforts to reduce our customer concentration and expand our customer base by (i) increasing our efforts and resources to develop customers from the private sector while at the same time maintaining existing and developing new customers in the public sector; (ii) increasing our R&D investment to improve our technologies, products and services to better serve the needs of customers in the rapidly evolving ICV industry; and (iii) exploring business opportunities for our products and services in other industries.

Particularly, we have commenced providing drone-related services and started recording revenue from such business since 2021. For details, please refer to “Our services – Advisory and other services” in this section above. Please also refer to “Our strategies – We plan to expand the application of simulation technologies and explore business opportunities in other industries” in this section above and “Future plans and use of proceeds – Use of proceeds” in this prospectus for details of our future strategies and

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use of proceeds in this respect. Since 2022, we started to engage in platform building projects in respect of cloud-based ICV simulation testing platform for a large automotive manufacturer in China and providing ICV data platforms and other products to private sector customers. In 2023, we started to offer other products in relation to OTA technology.

### SALES AND MARKETING

As at the Latest Practicable Date, our sales team consisted of 19 employees. Our sales team mainly comprises personnel with extensive industry knowledge and prior working experience with enterprises in the automotive industry and is primarily responsible for marketing our products and services to private sector customers. With our business strategy to expand our customer base and geographic coverage as set out in “Our strategies” in this section above, we expect that the growth of our revenue in the future will be mainly driven by the demand for our ICV testing, validation and evaluation solutions from the private sector. It is therefore critical for us to understand and respond to the needs of our customers and business partners in the private sector in a timely manner and maintain amicable business relationship with them in the long run.

We primarily offer our proprietary ICV testing-related products and solutions through direct sales. We particularly market and sell our simulation testing software or platforms or data platform by participating in public tendering processes or direct negotiations with customers, in reliance entirely on our internal business development efforts. For standardised standalone software products, we also procure indirect sales by engaging external distributors which purchase *Sim Pro* and *Safety Pro* software products from us and then on-sell them to end customers. According to F&S, it is the industry norm for software developers in the PRC to partner with distributors to sell software products to end users.

The table below sets forth a breakdown of our revenue generated through different sales channels for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Direct sales	98,410	92.1	145,385	100.0	175,703	100.0	21,627	100.0	54,852	98.7
Indirect sales	8,496	7.9	-	-	-	-	-	-	708	1.3
<b>Total</b>	<b>106,906</b>	<b>100.0</b>	<b>145,385</b>	<b>100.0</b>	<b>175,703</b>	<b>100.0</b>	<b>21,627</b>	<b>100.0</b>	<b>55,560</b>	<b>100.0</b>

Although we mostly obtain contracts for the sale of our products and services in the capacity of a main contractor, we had undertaken three projects in the capacity of a subcontractor during the Track Record Period and up to the Latest Practicable Date. These three projects were related to our provision of ICV simulation testing solutions and ICV data



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platform for the main contractors. We generally enter into contracts in the capacity of a subcontractor instead of a main contractor in circumstances where the projects are obtained by the relevant main contractors, which requires the provision of our products. The contracts between our Group as the subcontractor and the main contractor generally do not contain provisions relating to the ownership of the IP rights developed.

The table below sets forth a breakdown of our revenue generated by projects we had undertaken as a main contractor and a subcontractor for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue generated										
as:										
Main contractor	106,906	100.0	111,385	76.6	161,650	92.0	21,627	100.0	55,560	100.0
Subcontractor	–	–	34,000	23.4	14,053	8.0	–	–	–	–
<b>Total</b>	<b>106,906</b>	<b>100.0</b>	<b>145,385</b>	<b>100.0</b>	<b>175,703</b>	<b>100.0</b>	<b>21,627</b>	<b>100.0</b>	<b>55,560</b>	<b>100.0</b>

We are dedicated to providing comprehensive customer services a part of our sales and marketing efforts to maintain high satisfaction of and loyalty to our products by our customers. Specifically, we generally provide a warranty period of approximately one to three years for our ICV simulation testing platforms, standalone software products and ICV data platforms and other products, during which we provide customers with after-sales services including test operation, repair, software update, on-site training and/or other technical support. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material complaints on product quality in relation to our products sold to our customers. In addition, we actively participate in various business development events such as industry conferences, seminars and trade fairs to market our products and services and enhance our brand awareness from time to time.

### Negotiation and tendering process

In respect of direct sales, we generally secure engagements from our customers either through direct negotiations with our customers or by participating in tendering processes initiated by our customers.

#### *Direct negotiations*

For direct negotiations, our sales team and technical personnel from the project teams are responsible for communicating and negotiating with potentials customers to understand their demands, explore potential project opportunities, and build trust and confidence with us. Once the customers decide to engage us, we will sign the sales and purchase contract for either customised solutions to be designed and developed pursuant to specific customer needs or standardised standalone software products.

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### ***Tendering processes***

For the tender process, we generally identify tender opportunities through various information sources, including business partners. Once a business opportunity is identified, we will conduct preliminary assessment of the project and evaluate the project's profitability and feasibility with reference to the requirements and specifications of the project. If we consider the project is commercially viable, we will assign a project team to prepare for tendering documents.

During the Track Record Period, our tendered projects concentrated on public sector customers or government-commissioned projects. For private sector customers, we mainly obtained contracts from them through direct negotiations.

The table below demonstrates the total number of tenders submitted by our Group and the tender success rates during the Track Record Period:

	Year ended 31 December			Six months ended
	2021	2022	2023	30 June 2024
Number of tenders submitted	8	3	12	6
Number of contracts awarded <sup>(note)</sup>	5	3	9	2
Tender success rate (%)	62.5	100	75	33.3

*Note:* Number of contracts awarded includes (i) number of tenders submitted for a given financial year/period and contracts awarded in a subsequent financial year/period; and (ii) number of tenders submitted and contracts awarded in the same financial year/period.

### **Distribution arrangement**

Apart from selling our products and providing our services directly to end customers, we also sell a portion of our products, including standalone software products, to our distributors, which is in line with industry practice, as partnership with distributors helps solutions providers like us to (i) extend the sales network geographically; and (ii) closely follow the market trends in different geographic and customer segments and formulate effective sales and marketing strategies accordingly, according to F&S. We maintain a seller-buyer relationship with our distributors whereby we sell our software products to our distributors which then resell them directly to the end customers mainly targeting automotive manufacturers and technology companies. Revenue is recognised when the software products are delivered to our distributors, which is the same as for our sales to end customers directly.

We started this distribution arrangement in late 2021. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we had one, one, four and five distributors, respectively. During the Track Record Period, we generated revenue from our sales directly to our distributors in the amount of approximately RMB8.5 million, nil, nil and RMB0.7 million, respectively, which accounted for approximately 7.9%, nil, nil and 1.3% of our total revenue, respectively.

To the best of our Directors' knowledge and information, during the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest (direct and indirect) in our distributors. Further, save as being our distributors and save as disclosed in "History, development and corporate structure – Pre-IPO investments – Information regarding the Pre-IPO Investors – Jingwei Hengrun" in this prospectus in respect of Jingwei Hengrun, none of our distributors has any past or present relationship, including business, employment, family, trust, financing or otherwise, with our Company and its subsidiaries, their respective shareholders, directors, supervisors, senior management, or any of their respective associates, and all of our distributors are Independent Third Parties.

### *Selection and management of our distributors*

We select our distributors based on stringent criteria, including without limitation: (i) their customer resources and sales network; and (ii) having technical personnel suitable for selling our software products and the relevant know-how and expertise regarding our software products.

### *Salient terms of the Distributorship Agreements*

The following summarises the salient terms of the distributorship agreements between us and our distributors (the "**Distributorship Agreements**"):

- |                              |   |  |
|------------------------------|---|--|
| <b>The target products</b>   | : | Our distributors may purchase from us products including, among others, <i>Sim Pro</i> and <i>Safety Pro</i> , under the Distributorship Agreements.   |
| <b>Pricing and discounts</b> | : | We set out our selling price to our distributors in the Distribution Arrangements. We may offer discounts to our distributors depending on the purchase volume of each purchase order, which is in line with the industry practice in the ICV simulation testing software market in the PRC, according to F&S. |

For the ultimate selling price adopted by our distributors to end customers, we may (i) fix the ultimate selling price; or (ii) propose the indicative ultimate selling price to our distributors, which our distributors are allowed to change upon prior notification to us.

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<b>Order, payment and credit terms</b>	:	Our distributors are required to place individual purchase orders with us, payment of which may be made in several instalments or in one lump sum. We generally grant our distributors a credit term of 45 to 60 days.
<b>Term and termination and renewal</b>	:	The term ranges from one year to five years, which is renewable through mutual agreement of the parties upon expiry or will be automatically renewed for another year upon expiry.
<b>Return and replacement policies</b>	:	We are obligated to provide technical support services in respect of our products, including repair or replacement services, during the one-year warranty period of our products. However, return of products or refund is not allowed under the agreement, which is not uncommon in the industry.
<b>Training, sales and marketing</b>	:	We shall organise training sessions for our distributors, and supervise the sales and marketing activities of our distributors. Our distributors are required to (i) observe our sales policy to qualify as a distributor; and (ii) cooperate with us in our sales and marketing activities and help us expand the market.
<b>Sales targets</b>	:	We generally do not set any sales target or minimum purchase requirement for our distributors.
<b>Evaluation of performance</b>	:	We generally assess the performances of our distributors in terms of, among other things, their purchase volumes, and may decide whether to maintain such distributorship based on the performance assessment.
<b>Sub-distribution</b>	:	We generally specify in the Distributorship Agreements that our distributors shall not engage sub-distributors or subcontract the distribution arrangement without our prior written authorisation.
<b>Sanctions and export control</b>	:	We generally specify in the Distributorship Agreements that our distributors shall comply with applicable laws and regulations in relation to export control and economic sanctions in respect of its performance of the Distributorship Agreement.

- Non-competition** : We generally specify in the Distributorship Agreements that our distributors are prohibited from competing with us or facilitating other persons or entities to compete with us or engaging in the same or similar business which we engage in, or manufacturing the same or similar products we produce, or profiting from any of our competitors. To enable our Group to provide our after-sales services to end customers, we may also require our distributors to submit to us information about their customers upon completing each transaction.
- Intellectual property** : We generally state in the Distributorship Agreements that the IP rights over our products continue to belong to us and we shall undertake that our products do not infringe upon rights of any third parties, or state that our distributors must not infringe upon the copyrights and trademark rights over our products and make sure that the contracts they enter into with end customers are subject to similar restrictions.

Apart from the distributor management measures pursuant to the Distributorship Agreements mentioned above, we also adopt various measures to manage our distributors or avoid direct competition with our distributors, including without limitation:

- (1) *Inventory control.* Our distributors are required to report to us on a quarterly basis on the sales and inventory level of our products. We may also initiate communications with our distributors through direct visits and phone calls to assess our distributors' sales and marketing performance. Further, we give our distributors the flexibility to only place orders with us after potential end customers are identified.
- (2) *Performance assessment.* We may set performance indicators in relation to the sales and marketing activities and other conducts of our distributors to assess their performance. For example, we intend to set sales targets for our distributors in the future. Distributors failing to meet such targets may have their distributorship terminated by us.
- (3) *Order and sales of products.* Our distributors are required to inform us in writing 10 days prior to placing any purchase order to us, in order for us to ensure adequate supply of the products requested. When they intend to sell products to end customers, they are also required to submit the proposed sales and purchase contract, including the selling price to us for our written approval before signing the contract with their customers.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any return or replacement of products from our distributors due to quality issues or otherwise, or any material breach of the Distributorship Agreements or material violation of our policies by our distributors.

### ***Beijing Brston***

Beijing Brston is a company established in the PRC in 2008 and primarily provide data solutions and consulting services, focusing on the automotive industry in China. We first established contacts with Beijing Brston at the World ICVs Conference (世界智能網聯汽車大會) held in Beijing in November 2020, in which our Company was an exhibitor and Beijing Brston was a visitor. Subsequent to this event, we initiated several meetings with Beijing Brston and also conducted direct visits at its office for the purpose of exploring cooperation opportunities. Having obtained further knowledge of Beijing Brston, including its principal business and its relationship with automotive manufacturers, our Group considered that engaging Beijing Brston as a distributor could help our Group to sell and market our products to end customers such as automotive manufacturers. As a result, we entered into a non-exclusive framework distributorship agreement with Beijing Brston in October 2021 (as amended and supplemented by two supplemental agreements in December 2021 and December 2022, respectively).

In 2021, Beijing Brston purchased certain ***Sim Pro*** and ***Safety Pro*** products from us with a post-tax consideration of approximately RMB8.5 million. Our gross profit attributable to Beijing Brston was approximately RMB8.5 million, nil, nil and nil, respectively, with a gross profit margin of 100.0%, N/A, N/A and N/A, respectively, during the Track Record Period. Trade and notes receivables arising from our sales to Beijing Brston of approximately RMB8.5 million during FY2021 had been fully settled by Beijing Brston in FY2022 already and there were no outstanding trade and notes receivables from Beijing Brston as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, Beijing Brston did not make any further purchases from us.

To the best knowledge and information of our Directors, given that Beijing Brston is an automotive industry data services provider which is familiar with automotive market in the PRC, the commercial rationale behind Beijing Brston's purchases of ***Sim Pro*** and ***Safety Pro*** products from us in 2021 primarily lies in Beijing Brston's optimistic anticipation at the material times that there would be an increase in the demand for ICV simulation testing solutions in its customer network, which is primarily attributable to the fact that (i) the COVID-19 pandemic had been relatively under control in many regions in China by the end of 2021 and the risk of large-scale resurgences of the pandemic in China was expected to be low; (ii) in 2021, the PRC government released several supportive regulations to promote the development of the ICV industry, such as the Guidelines on the Access Management of ICVs Manufacturing Enterprises and Products\* (智能網聯汽車生產企業及產品准入管理指南) and the MIIT Opinions; and (iii) the distributorship arrangement together with the volume of products purchased by Beijing Brston allowed Beijing Brston to enjoy a discount offered by us.

As at the Latest Practicable Date, the inventories of unsold *Sim Pro* and *Safety Pro* products of Beijing Brston amounted to approximately RMB1.3 million. To market our *Sim Pro* and *Safety Pro* products, our Directors understand that since our distribution arrangement with Beijing Brston started in October 2021, Beijing Brston has cooperated with our sales and marketing campaigns to expand the market of our software products. In addition, Beijing Brston organised sales and marketing events, such as product introduction sessions of our software to potential customers. Trial version of our products has been offered to certain potential end customers for use. Our Directors understand from Beijing Brston that the slow-moving of its inventories in 2022 was mainly due to the adverse impacts of the COVID-19 pandemic during the Track Record Period, which, according to F&S, mainly included (i) the fact that automotive manufacturers and technology companies in the ICV industry had, to different degrees, slowed down their R&D activities and plans amidst COVID-19, resulting in lower demand for ICV simulation testing solutions; and (ii) the impacts of the COVID-19 containment measures adopted by the PRC government in many cities in China during the Track Record Period, especially Chongqing and Shanghai. These are the cities where certain potential customers of Beijing Brston are located, and activities, such as business meetings, client visits and contract negotiations, were affected causing delays in contract signing.

Despite the abovementioned slow-moving of its inventories, our Directors are of the view that there is no channel stuffing at the level of Beijing Brston given that we do not allow return of products by Beijing Brston and Beijing Brston had successfully sold a majority of the *Sim Pro* and *Safety Pro* products as at the Latest Practicable Date. Further, our distributorship arrangement with Beijing Brston is our first arrangement under the distributorship model, and we were then still at the stage of exploring and assessing the feasibility of such distributorship model. Since early 2023, we have adopted a new arrangement with our distributors by allowing them to place orders with us after potential end customers are identified. As such, our Directors believe that the risks of our products remaining in our distribution network and not reaching end customers will be lower in the future.

## **PRICING**

### **Pricing policy**

The charges under our contracts for products and services are determined on a project-by-project basis and are generally agreed between us and our customers after arm's length negotiations based on market prices or, where applicable, through bidding process. Pricing of our products and services is generally fixed for each project but may vary from project to project. We generally take into account a variety of factors in determining the contract price to maintain the consistency of our pricing policy within each product or service type and ensure reasonable profits as well as competitiveness of our prices.

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The table below sets forth the pricing policy in respect of each category of our products and services and their price range during the Track Record period:

Main categories of products/services	Sub-categories of products/services	Pricing policy	Price range during the Track Record Period
ICV simulation testing software and platforms	ICV simulation testing platforms	The prices of our ICV simulation testing platforms are primarily determined based upon the price and quantity of the hardware parts and components; the number of licences and modules of the standalone software embedded in the platforms, the complexity and customisation level of each software module and development work required, and/or the workload required for the integration, adaptation and debugging services.	The unit price of our ICV simulation testing platforms ranged from approximately RMB6.6 million to approximately RMB41.4 million per platform.
	Standalone software products	The prices of our standalone software products are primarily determined based upon the number of modules required as well as the complexity and customisation level of each module of the software, the additional development work required, and/or the procurement costs.	<div>(i) The prices of our standalone <i>Sim Pro</i> ranged from approximately RMB0.3 million to approximately RMB3.4 million per set.</div> <div>(ii) The prices of our standalone <i>Safety Pro</i> ranged from approximately RMB0.2 million to approximately RMB0.5 million per set.</div>



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Main categories of products/services	Sub-categories of products/services	Pricing policy	Price range during the Track Record Period
			(iii) The prices of our other customised standalone software products ranged from approximately RMB0.3 million to approximately RMB11.8 million per contract.
ICV data platforms and other products	ICV data platforms	The prices of our ICV data platforms are primarily determined based upon the price and quantity of the hardware parts and components; the number of modules of the software embedded in the platforms, the complexity and customisation level of each software module and development work required, and/or the workload required for the integration, adaptation and debugging services.	The prices of our ICV data platforms ranged from approximately RMB1.2 million to approximately RMB27.3 million per platform.
	Other products	<p>The prices of the hardware parts and components and related value-added services are generally determined as a whole on a cost-plus basis, which mainly comprise (i) the procurement costs of the hardware parts and components charged by our suppliers; and (ii) a mark-up to mainly cover our value-added services provided.</p> <p>The prices of the OTA platforms are generally determined based upon the number of modules, and the complexity and customisation level of each module, of the platforms.</p>	The prices of other products ranged from approximately RMB2.1 million to approximately RMB19.4 million per contract.

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Main categories of products/services	Sub-categories of products/services	Pricing policy	Price range during the Track Record Period
ICV testing and related services	Simulation tests and related services	We generally charge our customers a fixed fee per contract or order for the provision of simulation tests and related services. Such fee is generally determined by taking into account various factors, primarily including the scope of the testing and related services, the specifications and complexity of the products or technologies being tested, and the expected workload.	The prices of our simulation tests and related services ranged from approximately RMB90,000 to approximately RMB3.0 million per contract.
	Closed-course site tests and related services	We generally charge our customers a fixed fee per contract or order for the provision of closed-course site tests and related services, which is generally determined based upon various factors, primarily including the scope of the testing and related services, the specifications and complexity of the products or technologies being tested, the expected workload, the number of days required for testing, types of test roads or areas (such as city road, highway and tunnel), types and quantities of testing facilities or tools (such as pedestrian targets, vehicle targets, cyclist target, etc.) and number of staff (such as testing engineers) required.	The prices of our closed-course site tests and related services ranged from approximately RMB5,000 to approximately RMB6.3 million per contract.

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Main categories of products/services	Sub-categories of products/services	Pricing policy	Price range during the Track Record Period
	Platform operation and maintenance services	We generally charge our customers a fixed fee per contract for the provision of platform operation and maintenance services, which is generally determined based on the prices of the platforms.	The prices of our platform operation and maintenance services ranged from RMB0.4 million to RMB1.9 million per project or contract.
Advisory and other services	N/A	The prices of our advisory and other services are primarily based upon the scope of services, the specifications and complexity of the technologies and the complexity of the laws, regulations and/or standards to be advised on.	The prices of our advisory and other services ranged from approximately RMB1,000 to approximately RMB6.4 million per project or contract.

Our Director confirm that during the whole Track Record Period we generally do not specify the price allocation or breakdown by software and hardware for projects that require both software and hardware components to be installed into the relevant products (e.g. some of our ICV simulation testing platforms and ICV data platforms). While we may have some contracts specifying the price breakdown by software and hardware for projects, the prices of our products are determined as a whole with reference to the factors discussed above. Further, we generally do not take into account geographic location when determining the selling price of our products and services and we seek to adopt similar pricing strategy for our products and services sold in different geographic locations.

Our customised ICV simulation testing solutions are generally sold at a higher price than the standardised ones, which are determined on a project-by-project basis. Before submitting tenders/quotations for customised ICV simulation testing solutions, we will make preliminary assessment of the projects and consider various pricing factors to determine the proposed price. The tendering documents/quotations as well as the contracts of such customised solutions will generally also contain a detailed cost breakdown by the modules to be developed. Due to the varying customer requirements, the technical complexity and the workload required for different projects that require a high level of customisation, the cost incurred and revenue generated by our Group with respect to customised solutions may also vary greatly from project to project.

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### Our backlog of products and services

The table below sets forth the movement of our backlog by type of our products and services during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December						Six months ended		From 1 July 2024	
	2021		2022		2023		30 June 2024		to the Latest Practicable Date	
	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000
<b>ICV simulation testing software and platforms</b> <sup>(Note 1)</sup>										
At the beginning of the year/period	2	42,087	–	–	1	6,000	2	2,440	3	23,635
Add: New contracts engaged	6	18,693	6	87,100	20	95,771	6	52,035	9	82,833
Less: Revenue recognised for the year/period	(8)	(60,780)	(6)	(81,100)	(19)	(99,331)	(5)	(30,840)	(10)	(82,883)
At the end of the year/period	–	–	1 <sup>(Note 2)</sup>	6,000	2	2,440	3	23,635	2	23,585
<b>ICV data platforms and other products</b>										
At the beginning of the year/period	–	–	1	1,407	1	1,198	2	5,660	1	2,722
Add: New contracts engaged	3	43,328	4	39,245	5	24,383	1	7,965	2	7,398
Less: Revenue recognised for the year/period	(2)	(41,921)	(4)	(39,454)	(4)	(19,921)	(2)	(10,903)	(3)	(10,120)
At the end of the year/period	1	1,407	1	1,198	2	5,660	1	2,722	–	–
<b>ICV testing and related services</b> <sup>(Note 1)</sup>										
At the beginning of the year/period	3	1,792	7	7,006	6	8,383	12	4,539	13	4,125
Add: New contracts engaged	16	7,471	29	12,359	33	27,815	4	1,786	12	26,901
Less: Revenue recognised for the year/period	(13)	(2,257)	(31)	(10,982)	(31)	(30,810)	(7)	(2,200)	(18)	(26,189)
Less: Contracts cancelled	–	–	–	–	(1)	(849)	–	–	(6)	(1,436)
At the end of the year/period	7 <sup>(Note 3)</sup>	7,006	6 <sup>(Note 2)</sup>	8,383	12 <sup>(Note 4)</sup>	4,539	13 <sup>(Note 5)</sup>	4,125	8 <sup>(Note 6)</sup>	3,401

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	Year ended 31 December				Six months ended				From 1 July 2024	
	2021		2022		2023		30 June 2024		to the Latest Practicable Date	
	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000	No. of contracts	Contract value RMB'000
<b>Advisory and other services<sup>(Note 1)</sup></b>										
At the beginning of the year/period	-	-	2	1,174	9	7,839	17	9,096	12	4,981
Add: New contracts engaged	4	3,125	13	13,617	29	17,479	5	2,618	7	9,940
Less: Revenue recognised for the year/period	(2)	(1,951)	(7)	(6,952)	(24)	(16,222)	(13)	(6,696)	(10)	(9,847)
Less: Contracts cancelled	-	-	-	-	-	-	(6)	(37)	(1)	(259)
At the end of the year/period	2	1,174	9 <sup>(Note 2)</sup>	7,839	17 <sup>(Note 7)</sup>	9,096	12 <sup>(Note 8)</sup>	4,981	13 <sup>(Note 9)</sup>	4,815
<b>Total closing balance of backlog</b>	<b>10</b>	<b>9,587</b>	<b>15<sup>(Note 10)</sup></b>	<b>23,420</b>	<b>30<sup>(Note 11)</sup></b>	<b>21,735</b>	<b>26<sup>(Note 12)</sup></b>	<b>35,463</b>	<b>23</b>	<b>31,801</b>

**Notes:**

- (1) This excludes contracts without specifying the fixed contract sum.
- (2) This includes one contract which was still in progress as at 31 December 2022 but we had recognised partial revenue out of the total contract value for FY2022.
- (3) This includes one contract which was still in progress as at 31 December 2021 but we had recognised partial revenue out of the total contract value for FY2021.
- (4) This includes five contracts which were still in progress as at 31 December 2023 but we had recognised partial revenue out of the total contract value for FY2023.
- (5) This includes four contracts which were still in progress as at 30 June 2024 but we had recognised partial revenue out of the total contract value for 6M2024.
- (6) This includes four contracts which were still in progress as at the Latest Practicable Date but we had recognised partial revenue out of the total contract value subsequent to the Track Record Period and up to the Latest Practicable Date. Further, three of the contracts with revenue recognised subsequent to the Track Record Period and up to the Latest Practicable Date also had partial contract value cancelled during such period.
- (7) This includes three contracts which were still in progress as at 31 December 2023 but we had recognised partial revenue out of the total contract value for FY2023.
- (8) This includes three contracts which were still in progress as at 30 June 2024 but we had recognised partial revenue out of the total contract value for 6M2024.
- (9) This includes four contracts which were still in progress as at the Latest Practicable Date but we had recognised partial revenue out of the total contract value subsequent to the Track Record Period and up to the Latest Practicable Date.
- (10) This includes one contract which involves the provision of (i) ICV simulation testing software and platforms; (ii) ICV testing and related services; and (iii) advisory and other services, and is, for ease of presentation, regarded as a separate contract in presenting the movement of our backlog of ICV simulation testing software and platforms, ICV testing and related services, and advisory and other services, respectively. However, in the total closing balance of our backlog as at 31 December 2022, this contract is regarded as one single contract.

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- (11) This includes (a) one contract which involves the provision of (i) ICV simulation testing software and platforms; (ii) ICV data platforms and other products; and (iii) advisory and other services; and (b) one contract which involves the provision of (i) ICV data platforms and other products; and (ii) ICV testing and related services. For ease of presentation, each of these contracts is regarded as a separate contract in presenting the movement of our backlog of the relevant categories of our products and services, respectively. However, in the total closing balance of our backlog as at 31 December 2023, each of these two contracts is regarded as one single contract.
- (12) This includes one contract which involves the provision of (i) ICV simulation testing software and platforms; (ii) ICV data platforms and other products; and (iii) advisory and other services. For ease of presentation, this contract is regarded as a separate contract in presenting the movement of our backlog of the relevant categories of our products and services. However, in the total closing balance of our backlog as at 30 June 2024, this contract is regarded as one single contract.

### *Reconciliation between our backlog and the aggregated amount of the transaction price allocated to the remaining performance obligations*

The table below sets forth the reconciliation between (i) our backlog as at 31 December 2021; and (ii) revenue expected to be recognised subsequent to 2021 related to performance obligations that are unsatisfied or partially unsatisfied as disclosed in note 6(b) to the Accountant's Report as at 31 December 2021:

	<b>RMB'000</b>
Backlog as at 31 December 2021	9,587
Less: Revenue contract dated in 2021 but not yet completed our internal filing procedures as at 31 December 2021	<u>(93)</u>
Revenue expected to be recognised subsequent to 2021 related to performance obligations that are unsatisfied or partially unsatisfied as at 31 December 2021	<u><u>9,494</u></u>

The table below sets forth the reconciliation between (i) our backlog as at 31 December 2022; and (ii) revenue expected to be recognised subsequent to 2022 related to performance obligations that are unsatisfied or partially unsatisfied as disclosed in note 6(b) to the Accountant's Report as at 31 December 2022:

	<b>RMB'000</b>
Backlog as at 31 December 2022	23,420
Add: Expected revenue of a contract which was subsequently cancelled during FY2023	94
Add: Revenue to be shared by another service provider which had not yet been confirmed as at 31 December 2022	1,113
Add: Expected revenue from a confirmed order in relation to drone-related services as at 31 December 2022	125
Add: Minor differences attributable to VAT estimation	<u>13</u>
Revenue expected to be recognised subsequent to 2022 related to performance obligations that are unsatisfied or partially unsatisfied as at 31 December 2022	<u><u>24,765</u></u>

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The table below sets forth the reconciliation between (i) our backlog as at 31 December 2023; and (ii) revenue expected to be recognised subsequent to 2023 related to performance obligations that are unsatisfied or partially unsatisfied as disclosed in note 6(b) to the Accountant's Report as at 31 December 2023:

	<b>RMB'000</b>
Backlog as at 31 December 2023	21,735
Add: Minor rounding differences	<u>2</u>
Revenue expected to be recognised subsequent to 2023 related to performance obligations that are unsatisfied or partially unsatisfied as at 31 December 2023	<u><u>21,737</u></u>

### INCOME FROM GOVERNMENT

The development of ICVs is of great strategic importance in the PRC. The PRC government encourages collaboration with and active participation of private enterprises in the development, commercialisation and standardisation process for the ICV sector in the PRC.

Against such background, since 2018, as part of our ordinary and usual course of business, we have entered into a number of contracts with various PRC government authorities to work together with the government and/or other market players to conduct ICV-related R&D and contribute to the overall development of the ICV industry, in conjunction with providing the products and services as discussed in “Our products” and “Our services” in this section above. During the Track Record Period and up to the Latest Practicable Date, we have participated in a number of ICV-related projects and received Income from Government, which was categorised as government grants in our other income on our financial statements.

As compared to our revenue generated from contracts signed with the PRC governments where there is transfer of control of products or services sold to the contracting PRC governments, our Income from Government does not involve transfer of control of products or services to the contracting government authorities and our Group is entitled to such income in return for compliance with those tasks listed out by the government authorities in the Government Contracts.

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Although under some Government Contracts the contracting government authorities may receive the relevant services/tasks, our Directors consider that the performance of Government Contracts does not involve transfer of control of products or services to the contracting government authorities in accordance with IFRS 15 *Revenue from Contracts with Customers* due to the fact that the contracting PRC government authorities do not direct the use of, and/or do not obtain substantially all of the remaining direct benefits from those services/tasks. For example, for Government Contract 8, the IP rights and the ownership of the simulation testing platform targeting the intelligent algorithms of ICVs developed belong to our Company, and for Government Contract 9, (a) the vehicle and key parts monitoring data platform is operated by a PRC government-affiliated institution with the assistance of our Company; (b) such PRC government-affiliated institution was the lead contractor instead of the management unit under Government Contract 9; and (c) the right of use of this platform is owned by both our Company and such PRC government-affiliated institution as they jointly achieved the R&D of this platform.

During the Track Record Period, we recorded Income from Government of approximately RMB11.4 million, RMB5.0 million, RMB26.8 million and RMB9.7 million, respectively, which accounted for approximately 78.3%, 39.7%, 65.5% and 74.1% of our total other income, respectively. For details, please refer to “Financial information – Discussion of selected items in consolidated statements of comprehensive income – Other income” in this prospectus.

### Government Contracts

Details of the Government Contracts from which we generated Income from Government during the Track Record Period are set out below:

***(1) Government Contract 1 (together with a supplementary confirmation letter issued by the Management Committee)***

**Date** : November 2018

**Parties** : (i) Management Committee  
(ii) A PRC public organisation primarily engaged in software testing  
(iii) Our Company

**Term** : N/A

**Contract value** : RMB15 million



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**Our major services/tasks under the contract and requested by the government** : To (i) establish a company in Hangzhou and be responsible for the R&D and operation of the simulation platform; (ii) provide testing reports and related data to the relevant evaluation and testing institutions; (iii) establish a R&D team at the Future Science and Technology City of Hangzhou (杭州未來科技城); (iv) construct and deliver an ICV data service regulatory platform to the Management Committee and assist it in monitoring the daily testing and operating status of testing vehicles; (v) establish data collection specifications and regularly report work progress to competent authorities; (vi) provide industry information as research support to the relevant authorities; (vii) facilitate formulation of the standards for ICV open testing road classification, and clarify the testing road classification standards and evaluate their feasibility; (viii) assist the Management Committee in promoting the construction of the Hangzhou 5G Vehicle-to-Everything Demonstration Zone and help prepare construction status report; and (ix) promote the cooperation with Shanghai, Anhui Province and Jiangsu Province for mutual recognition of ICV testing results.

### *(2) Government Contract 2*

**Date** : September 2019

**Parties** : (i) A ministry of the PRC national government (as management unit)  
(ii) Our Company and 16 other companies (as responsible units)

**Term** : From September 2019 to August 2021

**Contract value** : RMB2.2 million

**Our major services/tasks under the contract and requested by the government** : To (i) determine the model evaluation indicators and develop the model implementation tools, based on the verification method of virtual simulation scenario model; and (ii) build a scenario database for ICVs consisting of no less than 1,000 scenarios.

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### *(3) Government Contract 3*

<b>Date</b>	:	July 2020
<b>Parties</b>	:	(i) A PRC institution established by the government and primarily engaged in AI-related R&D (as the project organising unit) (ii) Our Company (as one of the project participating units and research topic organising units)
<b>Term</b>	:	From July 2020 to June 2023
<b>Contract value</b>	:	RMB4.55 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To conduct research on (i) R&D of a vehicle-road connected intelligent driving simulation platform and basic scenario database; and (ii) demonstration of vehicle-road collaborative intelligent transport innovative application based on real scenarios, and submit a final science and technology report to the government, including the research process and technical content.

### *(4) Government Contract 4*

<b>Date</b>	:	2020
<b>Parties</b>	:	(i) A ministry of the PRC national government (as management unit) (ii) Our Company and nine other responsible units
<b>Term</b>	:	From August 2020 to July 2022
<b>Contract value</b>	:	RMB1.77 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To (i) develop and construct the public services platform for ICV data sharing and comprehensive application and develop software for the national data management centre and local data centres; (ii) develop and build the ICV safety monitoring system tools; and (iii) design a software system that supports node expansion and mass storage and satisfies various performance requirements.

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### (5) *Government Contract 5*

<b>Date</b>	:	May 2020
<b>Parties</b>	:	(i) A ministry of the PRC national government (as management unit) (ii) Our Company and nine other responsible units
<b>Term</b>	:	From August 2020 to July 2022
<b>Contract value</b>	:	RMB5.78 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To (i) construct SiL simulation platform and build ICV simulation testing environment; (ii) participate in the construction of simulation testing evaluation mechanism; (iii) carry out calibration on simulation environments and typical actual roads in Beijing and Hangzhou; (iv) lead the construction of intelligent scenario database for bicycles; and (v) provide simulation testing and other services to enterprises.

### (6) *Government Contract 6*

<b>Date</b>	:	May 2022
<b>Parties</b>	:	(i) A bureau of the PRC local government in Beijing (ii) Our Company
<b>Term</b>	:	From January 2021 to December 2023
<b>Contract value</b>	:	N/A <sup>(Note 1)</sup>
<b>Our major services/tasks under the contract and requested by the government</b>	:	To engage in R&D of ICV SOTIF classification and testing tools in accordance with relevant SOTIF standards, laws and regulations which can, among others, identify and evaluate ICVs functional insufficiencies and hazards and generate of testing scenario database automatically so as to achieve the SOTIF validation and evaluation of ICVs.

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### (7) *Government Contract 7*

<b>Date</b>	:	May 2021
<b>Parties</b>	:	(i) Bureaux of a ministry of the PRC national government (as management unit) (ii) Our Company and three other responsible units
<b>Term</b>	:	From July 2021 to June 2023
<b>Contract value</b>	:	RMB2.4 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To (i) provide software testing services in relation to an intelligent manufacturing industry value chain collaborative platform for new-energy vehicles to be developed under this project; (ii) apply for three patents and obtain 10 software copyrights; and (iii) lead in the incubation of three system solutions providers and development of 10 reproduceable system solutions.

### (8) *Government Contract 8*

<b>Date</b>	:	January 2022
<b>Parties</b>	:	(i) A leading automotive manufacturer in the PRC (as project coordinator) <sup>(Note 2)</sup> (ii) Our Company (as project participant)
<b>Term</b>	:	From October 2021 to June 2023
<b>Contract value</b>	:	RMB44.4 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To develop (i) a simulation testing platform targeting the intelligent algorithms of ICVs; and (ii) an integrated testing, validation and evaluation tool chain and system for intelligent connected systems.

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**(9) Government Contract 9**

<b>Date</b>	:	September 2021
<b>Parties</b>	:	(i) Bureaux of a ministry of the PRC national government (as management unit) (ii) Our Company and eight other responsible units
<b>Term</b>	:	From July 2021 to June 2023
<b>Contract value</b>	:	RMB11 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To (i) construct vehicle and key parts monitoring data platform and develop relevant software system; (ii) develop management platform for automotive software upgrade filings; and (iii) develop safety monitoring and evaluation tool for automotive industry chain and supply chain

**(10) Government Contract 10**

<b>Date</b>	:	December 2022
<b>Parties</b>	:	(i) A PRC government-affiliated institution (as the responsible unit) (ii) Our Company and five other participating unit
<b>Term</b>	:	From December 2022 to November 2025
<b>Contract value</b>	:	RMB8 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To engage in the R&D in respect of (i) high-confidence autonomous driving visual simulation data generation and evaluation platform; and (ii) autonomous driving multi-scenario and multimodal visual sensor and algorithm model multi-pillar collaborative evaluation.

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### *(11) Government Contract 11*

<b>Date</b>	:	November 2022
<b>Parties</b>	:	(i) A state-owned research institute in the PRC primarily targeting the automotive industry (as project coordinator) <sup>(Note 2)</sup> (ii) Our Company (as project participant)
<b>Term</b>	:	From December 2022 to November 2025
<b>Contract value</b>	:	RMB1.5 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To engage in the R&D of the testing and evaluation technologies of the perception, decision-making and control algorithms of autonomous driving.

### *(12) Government Contract 12*

<b>Date</b>	:	July 2023
<b>Parties</b>	:	(i) A leading automotive manufacturer in the PRC (as project coordinator) <sup>(Note 2)</sup> (ii) Our Company (as project participant)
<b>Term</b>	:	From November 2022 to November 2025
<b>Contract value</b>	:	Approximately RMB1.4 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To perform testing on ADAS and whole vehicles, so as to facilitate the validation of relevant FuSa testing processes and the development of relevant technical standards and contribute to breakthroughs in core ICV testing technologies.

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### (13) Government Contract 13

<b>Date</b>	:	November 2023
<b>Parties</b>	:	(i) Two government authorities in Beijing (ii) Our Company
<b>Term</b>	:	October 2022 to October 2024
<b>Contract value</b>	:	RMB5 million
<b>Our major services/tasks under the contract and requested by the government</b>	:	To (i) develop simulation testing tool chain; (ii) development autonomous driving scenario databases; (iii) develop modules such as road editor, scenario editor, physical sensor models and vehicle dynamic models; and (iv) perform simulation testing that meet the relevant technical requirements.

*Notes:*

1. This contract has no fixed contract value. During the Track Record Period, we recognised Income from Government in a total sum of approximately RMB1.7 million from Government Contract 6.
2. To the best of our Directors' knowledge and information, ministries of the PRC national government (as the management units of the government projects) entered into contracts with the project coordinators directly.

In addition, our Company (as the project participant) entered into Government Contract 8, Government Contract 11 and Government Contract 12 with such project coordinators to perform certain tasks as requested by such ministries of the PRC national government. Such project coordinators would arrange payments to our Company after receiving the funds from the PRC government and the final payment is subject to the approval from such ministries of the PRC national government. In addition, our expenditure budget for such projects was clearly stipulated in Government Contract 8, Government Contract 11 and Government Contract 12. Therefore, such projects are classified as government projects under Government Contracts.

Further, the table below sets forth a breakdown of our Income from Government attributable to Government Contracts for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
Government Contract 1	10,000	—	—	—	—
Government Contract 2	375	887	658	334	61
Government Contract 3	990	907	2,653	2,524	—
Government Contract 4	—	366	515	288	—
Government Contract 5	—	1,283	1,892	946	946
Government Contract 6	—	980	—	—	710
Government Contract 7	—	94	819	462	287
Government Contract 8	—	477	13,370	2,278	5,727
Government Contract 9	—	—	5,500	4,302	—
Government Contract 10	—	—	1,141	—	1,613
Government Contract 11	—	—	216	—	298
Government Contract 12	—	—	—	—	23
Government Contract 13	—	—	—	—	13
<b>Total</b>	<b>11,365</b>	<b>4,994</b>	<b>26,764</b>	<b>11,134</b>	<b>9,678</b>

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### *Separate agreements entered into by our Group in respect of Government Contract 1*

In respect of certain tasks/services we undertook to perform/offer under Government Contract 1, we also entered into certain separate agreements with other third parties for the sale of our products and the provision of our services that were recognised as our revenue, details of which are set out in the table below:

#### **Relevant tasks/services under Government**

<b>Contract 1</b>	<b>Separate agreement(s)</b>	<b>Beneficiaries</b>
To engage in the R&D of and complete the establishment of the ICV simulation testing platform	The agreement entered into with Customer B in March 2019 for implementing an ICV simulation testing platform	The customer under the separate agreements, i.e. Customer B
To provide testing services to ICV enterprises across the Zhejiang Province	Various agreements signed with customers for the provision of simulation tests and related services	The respective customers under the separate agreements

The separate agreements represent our engagements of the sale of the abovementioned products and the provision of the abovementioned services signed with other Independent Third Parties instead of the contracting parties of Government Contract 1.

### *Accounting treatment of Income from Government and related costs and expenses*

Income from Government is categorised as government grants under other income in our consolidated statements of comprehensive income in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* during the Track Record Period, instead of “revenue”.

#### *Government Contract 1*

Our Directors considered that the government grants received from Government Contract 1 generally compensated us for commencing ICV simulation testing and related business operations in Hangzhou to accomplish the relevant services/tasks as stipulated in Government Contract 1.

Income from Government in respect of Government Contract 1 was recognised in profit or loss when we had complied with the specific conditions (i.e. services/tasks as required by the government authority) attaching to Government Contract 1 and the relevant grants had been received from the government authority.



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The related costs and expenses for which Government Contract 1 are intended to compensate primarily consisted of (i) “staff costs” incurred for our staff employed/engaged to perform the relevant services/tasks as required by the government authorities; and (ii) other costs and expenses, primarily including direct costs incurred for the establishment of subsidiary in Hangzhou and relevant expenses incurred for recruiting personnel and relevant expenses incurred for conducting related R&D activities in Hangzhou.

These costs and expenses were generally recognised in profit or loss when they were incurred.

### Government Contract 2 to Government Contract 13

Our Directors considered that the government grants received from these Government Contracts generally (i) subsidise/subsidised the acquisition of related equipment and software; (ii) compensate/compensated for the expenditure on processing, testing and verification for the completion of the relevant services/tasks; and/or (iii) compensate/compensated for the relevant staff costs incurred for R&D activities for the completion of the relevant services/tasks as stipulated in these Government Contracts.

Income from Government in respect of these Government Contracts related to depreciable assets was/will be recognised as other income in profit or loss over the periods and in which depreciation and amortisation on those assets were/will be recognised. Income from Government in respect of these Government Contracts was/will be recognised as other income in profit or loss over the periods to compensate for the expenditure on processing, testing and verification or the relevant staff costs incurred for R&D activities (for which the grants from these Government Contracts are intended to compensate) incurred in respect of the performance of those tasks/services as stipulated in these Government Contracts. Thus, we may recognise income from these Government Contracts for more than one year during the Track Record Period.

The related costs and expenses for which to these Government Contracts are intended to compensate primarily consist of (i) “amortisation and depreciation” of the relevant equipment and software acquired to perform the relevant services/tasks as required by the relevant government authorities; (ii) “commissioned external R&D expenses” in relation to testing and verification works performed by third party service providers as required by the relevant government authorities; and/or (iii) “staff costs” incurred for our R&D staff employed/engaged to perform the relevant services/tasks as required by the relevant government authorities.

The relevant amortisation and depreciation were/will be charged to profit or loss based on the useful lives of the relevant equipment and software in accordance with IAS 16 and IAS 38 and the relevant commissioned external R&D expenses and staff costs were/will be generally recognised in profit or loss when they were/will be incurred.

For details of the key factors for the categorisation of income as “revenue” or “other income”, please refer to “Financial information – Discussion of selected items in consolidated statements of comprehensive income – Other income – Government grants – Income from Government” in this prospectus.

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Notwithstanding the aforesaid, our Directors are of the view that Income from Government contributes towards income derived from the ordinary course of business of our Group, mainly for the reasons stated below:

- (1) *The services/tasks undertaken by our Group under Government Contracts fall within the ordinary course of business:* unlike the cases where the receipt of most government subsidies or grants often takes a more “passive form”, we have actually provided services and/or performed tasks in exchange for Income from Government. Further, we utilised the same proprietary technologies and know-how and we incurred similar costs utilised or incurred in our performance of the revenue contracts concluded in our ordinary course of business, in providing services and/or performing tasks under Government Contracts.
- (2) *Income from Government is recurring in nature and we expect to continue to derive similar income from the PRC government in the foreseeable future:* we have entered into Government Contracts and other similar contracts with different PRC government authorities prior to and throughout the Track Record Period and up to the Latest Practicable Date, and we believe that we will continue to obtain similar contracts in the future.

### OUR SUPPLIERS

Our suppliers mainly include (i) hardware and components suppliers who mainly provide data storage and processing devices, servers and simulation equipment; (ii) technology and software suppliers who provide software components to us or are mainly commissioned by our Group to conduct non-core R&D exercises for our revenue projects. Examples of non-core R&D exercises include the provision of data collection solutions and services, and the development of customised operation systems (e.g. Linux); and (iii) services providers. Our suppliers are all based in China.

We have in place procurement and quality control measures and consider various factors in selecting suppliers, to ensure the quality of our products and services. A supplier review group formed by members of our management team is responsible for formulating supplier-related policies and guiding management activities of our Group, including making decisions on major procurements, review supplier evaluation results and new suppliers’ performance, and take actions against breaches and non-compliances of suppliers; whilst our supplier management group comprising staff from our administrative department and procurement department and the assistant to the general manager is responsible for executing the aforementioned policies and the day-to-day management of suppliers. We consider various factors for selection of suppliers including but not limited to our past dealings and relationship with the suppliers and their credentials, technical specification and quality of the products, price, delivery time and payment method.

Due to the high replaceability of the products and services provided by our suppliers, we may easily find alternative sources with comparable quality and prices. We make purchases from our suppliers from time to time on a project-by-project basis and we generally place orders with our suppliers after we have secured the projects with details of technical specifications and hardware and software, parts and components, and related services requirements. During the Track Record Period, most of our purchases from suppliers were primarily settled by bank transfer.

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As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material supply shortages, or any material disputes with or material delay in the delivery of products or provision of services by our suppliers which caused material disruption to our business operations.

### Our major suppliers

Details of our top five suppliers for FY2021 are set forth below:

Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of commencement of business relationship	Purchases (RMB'000)	Percentage to total purchases (%)
1	Beijing Taiyang Hezheng Technology Development Company Limited* (北京泰陽和正科技發展有限公司)	An integrated IT infrastructure and informatisation solutions provider in China with a registered capital of approximately RMB55 million	Servers and other hardware	2021	11,868	35.1
2	Supplier A	An IT and communications technology supply chain services provider in China and a subsidiary of a PRC public company listed on the Shanghai Stock Exchange with a market capitalisation of approximately RMB77.4 billion as at the Latest Practicable Date	Servers	2021	11,849	35.1
3	Beijing Asiacom Huanyu Technology Company Limited* (北京亞康環宇科技有限公司)	A PRC company principally engaged in the telecommunications business with a registered capital of approximately RMB100 million	Servers and other hardware	2021	8,850	26.2

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Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of commencement of business relationship	Purchases (RMB'000)	Percentage to total purchases (%)
4	Beijing Lianzhi Chuangxiang Technology Company Limited* (北京聯智創想科技有限責任公司)	A PRC company principally engaged in the sale of computers and other related products with a registered capital of approximately RMB0.5 million	Servers and other hardware	2019	814	2.4
5	Supplier B	A PRC company principally engaged in providing technical services and information consulting services with a registered capital of approximately RMB2 million	Research services	2021	285	0.8
<b>Total</b>					33,666	99.6

Details of our top five suppliers for FY2022 is set forth below:

Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of commencement of business relationship	Purchases (RMB'000)	Percentage to total purchases (%)
1	Beijing Asiacom Huanyu Technology Company Limited* (北京亞康環宇科技有限公司)	A PRC company principally engaged in the telecommunications business with a registered capital of approximately RMB100 million	Servers and other hardware	2021	28,289	86.2

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Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of commencement of business relationship	Purchases (RMB'000)	Percentage to total purchases (%)
2	Supplier C	A PRC company principally engaged in drone manufacturing and the provision of urban transportation services with a registered capital of approximately RMB50 million	Transportation services via drones	2022	1,846	5.6
3	Supplier D	A PRC company principally engaged in drone manufacturing and the provision of general aviation services with a registered capital of approximately RMB1 million	Transportation services via drones	2022	1,023	3.1
4	Supplier E	A PRC company principally engaged in drone manufacturing and the provision of urban transportation services with a registered capital of approximately RMB10 million	Transportation services via drones	2022	384	1.2
5	Supplier F	A wholly foreign-owned enterprise mainly engaged in the R&D and the sale of software with a registered capital of approximately US\$0.2 million	Technology and software	2022	381	1.2
<b>Total</b>					<b>31,923</b>	<b>97.3</b>

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Details of our top five suppliers for FY2023 are set forth below:

Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of commencement of business relationship	Purchases (RMB'000)	Percentage to total purchases (%)
1	Supplier G	A PRC company primarily engaged in providing electronic information technology services with a registered capital of RMB10 million, and a subsidiary of a PRC company which is listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB1.0 billion as at the Latest Practicable Date	Technology and software; hardware	2023	21,416	87.7
2	Supplier H	A PRC company primarily engaged in testing, research, and development of intelligent driving data closed-loop and virtual simulation test equipment with a registered capital of approximately RMB24.9 million	Hardware and software	2023	1,195	4.9
3	Hebei Province Mechanical Technology Research and Design Institute Company Limited* (河北省機械科學研究設計院有限公司)	A PRC company mainly engaged in research and experimental development with a registered capital of approximately RMB37.4 million	Hardware	2022	951	3.9
4	Beijing Asiacom Huanyu Technology Company Limited* (北京亞康環宇科技有限公司)	A PRC company principally engaged in the telecommunications business with a registered capital of approximately RMB100 million	Servers and other hardware	2021	371	1.5

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Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of commencement of business relationship	Purchases (RMB'000)	Percentage to total purchases (%)
5	Beijing Lianzhi Chuangxiang Technology Company Limited* (北京聯智創想科技有限責任公司)	A PRC company principally engaged in the sale of computers and other related products with a registered capital of approximately RMB0.5 million	Servers and other hardware	2019	135	0.6
<b>Total</b>					24,068	98.6

Details of our top five suppliers for 6M2024 are set forth below:

Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of first becoming our supplier	Purchases (RMB'000)	Percentage to total purchases (%)
1	Supplier G	A PRC company primarily engaged in providing electronic information technology services with a registered capital of RMB10 million, and a subsidiary of a PRC company which is listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB1.0 billion as at the Latest Practicable Date	Technology and software; hardware	2023	7,434	93.5
2	Hebei Province Mechanical Technology Research and Design Institute Company Limited* (河北省機械科學研究設計院有限公司)	A PRC company mainly engaged in research and experimental development with a registered capital of approximately RMB37.4 million	Hardware	2022	405	5.1

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Rank	Supplier	Background information and principal business	Product(s)/ Service(s) provided	Year of first becoming our supplier	Purchases (RMB'000)	Percentage to total purchases (%)
3	Supplier I	A PRC company primarily engaged in power engineering consulting and design business, and geographic information data service business with a registered capital of RMB60 million, which is listed on the Shenzhen Stock Exchange with a market capitalisation of approximately RMB2.4 billion as at the Latest Practicable Date	Technology services	2023	47	0.6
4	Supplier K	A PRC company primarily engaged in whole process engineering consulting and design business, as well as “Internet + Construction” services, providing comprehensive solutions and digital services for the construction industry and having a registered capital of RMB5.1 million	Tendering services	2024	17	0.2
5	Supplier J	A PRC company primarily engaged in car rental services with a registered capital of RMB1 million	Car rental services	2024	3	0.1
<b>Total</b>					<u>7,905</u>	<u>99.5</u>



To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date:

- (a) all of our top five suppliers were Independent Third Parties;
- (b) none of our top five suppliers was also our customers; and
- (c) none of our Directors, their respective close associates, nor any of our Shareholders holding more than 5% of our issued share capital had any interest (direct and indirect) in any of our top five suppliers.

### *Varying composition of our major suppliers*

During the Track Record Period, the top five suppliers of our Group were generally different from year to year. The reasons for such varying composition of our major suppliers are mainly the following:

- (a) we have been in a fast growing period in the past several years and the mixture of our products and services offered to customers varied greatly from year to year. For example, during FY2021, a majority (approximately 96.1%) of our total revenue for FY2021 was derived from the sale of products (including approximately 56.9% from the sale of ICV simulation testing software and platforms and approximately 39.2% from the sale of ICV data platforms and other products), and only approximately 2.1% and 1.8% of our total revenue was derived from the provision of ICV testing and related services, and advisory and other services, respectively. However, during FY2022, the revenue contribution from the sale of our services increased to approximately 17.1%, whilst the revenue contribution from the provision for our products decreased to approximately 82.9%; and
- (b) owing to the varying nature of our major products and services, the products and/or services we require from suppliers for the provision of each type of such products and services are also varied. Specifically, the major types of products and/or services provided by our suppliers in connection with each type of our products and services are as follows:
  - *ICV simulation testing software and platforms* mainly require (i) technology and software suppliers to conduct non-core R&D exercises or provide software components; and (ii) hardware and components suppliers to supply necessary hardware components that we do not manufacture;
  - *ICV data platforms and other products* mainly require hardware and components suppliers to supply necessary hardware, such as servers, parts and components, that we do not manufacture;

- *ICV testing and related services* generally do not require external suppliers to provide any products or services; and
- *Advisory and other services* mainly require services providers to provide (i) event planning services, livestreaming services and advertising services, etc. to assist us in organising industry seminars and conferences; and (ii) transportation services via drones to assist us in providing drone-related services.

**Salient terms of our supplier contracts**

During the Track Record Period, we did not enter into any long-term agreements with our suppliers and only entered into written contracts with our suppliers on a project-by-project basis which is in line with industry practice according to F&S. Salient terms of our supplier contracts are summarised as follows:

***Salient terms of technology or software supply or development contracts***

<b>Product specification</b>	:	The contracts will generally specify the technical specifications of the technology or software to be developed or provided by our supplier.
<b>Delivery, inspection and performance</b>	:	The term of performance generally varies from contract to contract depending on the technology or software to be supplied. The contract will generally specify the date of delivery and we are generally entitled to conduct inspection of the products upon delivery. Our suppliers are generally responsible for the installation and testing of the products at the time of delivery, the fees of which are generally included in the total contract sum.
<b>Contract sum</b>	:	Our suppliers generally charge us for their technology or software products at a fixed price.
<b>Payment</b>	:	We may be required to pay our suppliers the contract sum in a lump sum or by several instalments. Our software and technology suppliers may grant us a credit term ranging from five to 60 days.
<b>Liability and damages</b>	:	Our suppliers are generally required to pay us damages and, in some cases, refund all the amount paid by us for their breach of the contracts.

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**Termination** : Our supplier contracts will generally specify termination events: (i) where there is breach of the contract by any of the parties entitling the non-defaulting party to terminate the contracts; (ii) upon prior notice to the other party or parties; (iii) upon mutual agreement of the parties; and/or (iv) in other specified circumstances.

*Salient terms of purchase contracts of hardware components, devices and machineries*

**Product specification** : The contracts will generally set forth the specifications of the hardware products to be provided by our suppliers.

**Contract sum and payment** : Our suppliers generally charge us at a fixed price for the hardware products to be provided, which is usually payable in several instalments. Our hardware suppliers may grant us a credit term ranging from five to 60 days.

**Packaging, transportation and/or insurance** : Our suppliers are generally responsible for the packaging, transportation and/or insurance costs incurred prior to delivering the hardware products to us.

**Warranty** : Our suppliers may directly offer us warranty and after-sale services for a term ranging from one to three years; or the contracts may specify that the end manufacturers of the devices and equipment will be responsible for warranty in accordance with the terms and conditions of such end manufacturers.

**Liability and damages** : In case of breach of contract by us or the supplier for reasons attributable to the respective parties, a sum of damages will be generally payable by the defaulting party.

**Termination** : Our supplier contracts will generally specify termination events such as breach of the contract by any of the parties entitling the non-defaulting party to terminate the contracts and mutual agreement of the parties.

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### *Salient terms of contracts with our services providers*

<b>Scope of services</b>	:	The contracts will generally set forth details of the services to be provided by our suppliers.
<b>Contract sum and payment</b>	:	Our suppliers may (i) charge us at a fixed price for the services to be provided, which is payable in one lump sum or in several instalments; or (ii) fixing the unit price for the services to be provided without specifying the total volume of services required or the total contract value. Our services suppliers generally do not grant us credit terms.
<b>Performance and timeline</b>	:	The contracts will generally set out the deadline for our supplier to deliver the work results or completion of the tasks agreed upon, or the term of performance.
<b>Intellectual property</b>	:	Our suppliers may undertake that they will not infringe upon the IP rights of third parties in the course of rendering services to us, or otherwise they shall assume the relevant responsibilities on their own.

### **Supplier concentration**

For each financial year/period during the Track Record Period, purchases from our top five suppliers collectively accounted for approximately 99.6%, 97.3%, 98.6% and 99.5% of our total purchases, respectively, and the purchases from our largest supplier accounted for approximately 35.1%, 86.2%, 87.7% and 93.5% of our total purchases, respectively. For the risks relating to concentration of suppliers, please refer to “Risk factors – Risks relating to our business and industry – We relied on a limited number of suppliers during the Track Record Period, and any disruption of supply from our major suppliers could result in an adverse impact on our business, profitability and results of operations.” in this prospectus. The significant increase in the purchases from our largest supplier from approximately 35.1% for FY2021 to approximately 86.2%, 87.7% and 93.5% for FY2022, FY2023 and 6M2024, respectively, was primarily attributable to (i) the supply of hardware parts and components in respect of the increase in the sale of our other products of hardware parts and components during FY2022; (ii) the significant procurement costs incurred for Project K during FY2023; and (iii) the significant procurement costs incurred for Project Q during 6M2023.

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Despite the fact that the abovementioned figures suggest a certain degree of supplier concentration, our Directors are of the view that we are not overly reliant on any single supplier or group of suppliers and such concentration would not impact our business sustainability based on the following reasons:

- (1) we consider various factors when selecting and managing our suppliers, according to which we have developed a list of qualified suppliers over the years. Up to the Latest Practicable Date, we did not encounter any quality issues or supply interruption relating to the products or services provided by our suppliers or experience any material dispute with our suppliers. We consider and evaluate new suppliers to seek to enlist additional qualified suppliers from time to time;
- (2) for reasons set out in “Our suppliers – Our major suppliers – Varying composition of our major suppliers” in this section above, although our purchases from our top five suppliers accounted for over 90% of our total purchases for each financial year/period during the Track Record Period, there was generally no overlap of such suppliers throughout the Track Record Period (except for Beijing Lianzhi Chuangxiang Technology Company Limited\* (北京聯智創想科技有限責任公司), Beijing Asiacom Huanyu Technology Company Limited\* (北京亞康環宇科技有限公司), Supplier G and Hebei Province Mechanical Technology Research and Design Institute Company Limited\* (河北省機械科學研究設計院有限公司), which were one of our top five suppliers in both FY2021 and FY2023, that in each financial year during the Track Record Period, that in both FY2023 and 6M2024, and that in both FY2023 and 6M2024, respectively);
- (3) the high percentage ratios of our purchases from our top five suppliers during the Track Record Period are mainly due to the business nature of our Group. Specifically, we procured significant amount of hardware parts and components for a few of our major projects of ICV simulation testing platforms (which, for example, resulted in substantial procurement from Supplier G for FY2023), ICV data platforms (which, for example, resulted in substantial procurement from Beijing Taiyang Hezheng Technology Development Company Limited\* (北京泰陽和正科技發展有限公司), Supplier A and Beijing Asiacom Huanyu Technology Company Limited\* (北京亞康環宇科技有限公司) for FY2021) and other products (which, for example, resulted in substantial procurement from Beijing Asiacom Huanyu Technology Company Limited\* (北京亞康環宇科技有限公司) for FY2022) for each financial year/period during the Track Record Period. As such, we incurred significant procurement costs from our hardware parts and components suppliers as mentioned above during the Track Record Period. Further, due to the small number of our platform-building contracts as well as other revenue contracts which involved purchases from suppliers during the Track Record Period, the total number of our suppliers was also limited. The high transaction amount with our major suppliers coupled with the limited number of total suppliers resulted in a high concentration on our top five suppliers during the Track Record Period;

- (4) according to F&S, the hardware and certain software components we purchased externally for our projects of ICV simulation testing platforms and ICV data platforms and other products are generally generic products which are readily available from numerous hardware manufacturers and software developers in the market. As a result, when our existing suppliers are unable to take orders from us or we experience any supply shortage, quality issues or other disputes with them in the future, we believe that we can easily make purchases from alternative qualified suppliers from our internal list of qualified suppliers or in the market at comparable price and quality; and
- (5) in line with the industry practice, we generally do not enter into long-term engagements with our suppliers but rather one-off contracts based on specific projects. This offers our Group flexibility to select new suppliers and diversify our supplier base from time to time. In the long run, with further expansion of our product and service offerings and expected increase of our projects, we intend to engage more new suppliers that meet our requirements of suppliers and the needs of our customers.

#### **RELATIONSHIP WITH CUSTOMER A**

Customer A, an SOE primarily engaging in the provision of technology development, consulting and related services and an independent Third Party, was one of our top five customers for FY2021 and also our business partner entrusting us to operate the Shunyi Testing Site pursuant to the Shunyi Agreement. Further, the ultimate controlling shareholder of Customer A, namely Beijing Shunyi, is a shareholder of our Company holding approximately 2.8% of our issued share capital as at the Latest Practicable Date. Our transactions with Customer A were on normal commercial terms considering contract terms and pricing with our other customers, for which we provided similar products and services during the Track Record Period and/or that the relevant projects were obtained through public tender. The Shunyi Testing Site was established with the backing of the local government in Shunyi District, Beijing to support the development of the local ICV industry and is an ICV testing site equipped with closed-course and related ICV testing capabilities in Beijing.

In June 2019, we were awarded a contract by Customer A to implement an ICV simulation testing platform for the Shunyi Testing Site owned by Customer A, for the purpose of equipping the Shunyi Testing Site with the capability of performing ICV simulation tests, in addition to its capability of offering ICV closed-course site tests. The project was obtained by our Group through tendering procedure. In December 2020, we were further engaged by Customer A to provide ICV testing services.

We generated revenue from providing the abovementioned product and testing services to Customer A for the amount of approximately RMB41.4 million and RMB0.3 million with gross profit of approximately RMB34.1 million and RMB0.1 million in FY2021, respectively.

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In May 2021, we participated in the tendering of the operation of the Shunyi Testing Site. According to F&S, it is common for government's ICV testing sites to be outsourced to industry players for management and operation. With our proven industry experience in providing ICV testing services, we were selected for the project and entered into an entrusted operation arrangement with Customer A in 2021 through the Shunyi Agreement. Pursuant to the Shunyi Agreement, we are entitled to all the revenue arising from our use of the Shunyi Testing Site and its facilities to provide closed-course site tests and related ICV testing services for a term of approximately three years (subject to any further extension). In return, Customer A is entitled to a fixed sum of RMB38 million payable by us in three instalments. During the Track Record Period and up to the Latest Practicable Date, we paid a total of RMB23 million to Customer A for the settlement of the first and the second instalments of such fixed sum pursuant to the Shunyi Agreement. Our Directors confirm that the entering into of the Shunyi Agreement with Customer A is not conditional on Beijing Shunyi being a Pre-IPO Investor. For details of the salient terms of the Shunyi Agreement, please refer to "Our services – ICV testing and related services – Closed-course site tests and related services" in this section above.

Our business performance in respect of the closed-course site tests and related services provided at the Shunyi Testing Site were adversely affected by the COVID-19 resurgences and relevant containment measures adopted by the government in Beijing and many other cities in China in 2022. Nonetheless, with the ease of COVID-19 related containment measures across China since December 2022, the economic activities in China as well as our operation of the Shunyi Testing Site have resumed to normal, and we have seen a gradual increase in orders for our ICV closed-course site tests and related services since the second half of 2022. For details, please refer to "Financial information – Impacts of the COVID-19 pandemic – (2) Business conducted at the Shunyi Testing Site affected" in this prospectus.

## INVENTORIES

In general, we purchase hardware components regarding our products only on a back-to-back basis upon receipt of purchase orders or award of projects and hence, we generally do not maintain an inventory level of any hardware parts and components, work in progress, or finished products. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recognised contract fulfilment costs, which were costs incurred to fulfil the contracts of selling our products and services, of approximately RMB3.1 million, RMB7.7 million, RMB1.7 million and RMB17.0 million, respectively. For further details, please refer to "Financial information – Discussion of selected items of consolidated balance sheets – Contract fulfilment costs" in this prospectus.

## QUALITY CONTROL

Our Directors value that the quality and reliability of our products and services are crucial to our continued success. In view of such importance, we have in place stringent quality control measures throughout our procurement process, business operations until delivery of our products and services in order to identify and closely monitor the risks that may have



significant impact on the quality and compatibility of our products and services in a timely and systematic manner, and to ensure that our products and services are of high quality standard in accordance with applicable regulatory requirements and industry standards.

Our quality control targets both process quality, and result quality, which applies to the development and production process of our products, and the finished products, respectively. For process quality control, we have obtained various quality management certifications including the ISO 26262 FuSa certification and GB/T19001-2016 and ISO9001:2015 Quality Management System, which serves as evidence of our ability to make sure the development processes of our solutions are safe and compliant with international and domestic quality standards. As regards result quality management, we have an internal quality management committee responsible for inspecting the quality of the finished products after the development process is completed. For the quality control and management of our products sold to customers, we have in place various quality warranty terms under our contract with our customers and we generally offer a warranty period of one to three years during which we generally provide maintenance services and technical support to our customers with no additional cost.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our customers in respect of the quality of our products or services and there had been no incident of any failure of our quality control measures as disclosed above which had a material adverse impact on our business operations.

## RESEARCH AND DEVELOPMENT

Being a fast-growing technology company, we place strong emphasis on the R&D efforts and our capabilities in technological innovation. We believe that in order to maintain our market position and increase our market share in the ICV testing, validation and evaluation solutions industry in China, it is paramount for us to continuously keep pace with the latest market demand and develop technologies which surpass those of our competitors in terms of their functionalities and commercialisation capabilities.

### R&D expenditure

We have invested a significant portion of our resources in R&D. During the Track Record Period, our total R&D expenditure (including R&D costs capitalised as intangible assets) were approximately RMB27.1 million, RMB38.8 million, RMB76.4 million and RMB41.1 million, respectively.

Our R&D expenditure was relatively low at the beginning of the Track Record Period as the functions of the earlier versions of *Sim Pro* were relatively basic, and we were able to maintain a low level of R&D expenditure at the early stage of its development. Over the years, as we continue to develop and upgrade *Sim Pro* and *Safety Pro* as demonstrated in “Our core technologies – Development history of *Sim Pro*” and “Our core technologies – Development



history of *Safety Pro*” in this section above, the scale and the level of complexity of R&D gradually increased and accordingly, the R&D expenditure increased. Further, we adopted a strict cost control policy in terms of R&D activities and had clear budget control, and we have established clear division of labour to ensure that our R&D team works efficiently.

### **R&D team**

Our R&D personnel mainly engage in the R&D of ICV simulation testing-related technologies with bases in our headquarters in Beijing, branch office in Shanghai and offices of our subsidiaries in Hangzhou, Zhejiang Province. As at the Latest Practicable Date, our R&D team comprised a total of 139 employees, which accounted for approximately 74.3% of the total number of our employees. In recognition of our technological capabilities and technical expertise in the ICV testing, validation and evaluation solutions industry, in November 2022, we obtained approval from the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) to establish a Postdoctoral Innovative Practice Base\* (博士後創新實踐基地) to attract research talent to support our in-house innovative research activities and to nurture our next generation technical staff to support our business development.

Leveraging our in-house R&D capabilities or further improvement to or investment in the same, we also undertake and/or are involved in various R&D projects in the ICV testing, validation and evaluation solutions industry in cooperation with other market players. For details, please refer to “Collaboration with major strategic partners” in this section below.

### **INFORMATION TECHNOLOGY**

We rely on our IT systems for our management and R&D activities. Our IT systems mainly comprise (i) a series of systems and tools used in our R&D activities; (ii) a self-developed project management system; (iii) an internal process management system, i.e. the OA system; and (iv) a financial software to manage our financial resources. Both the OA system and financial software were purchased from external suppliers. Our IT department is responsible for procuring and maintaining such systems to ensure their quality and overall efficiency, and providing technical support on the operation of our IT systems to other departments on a daily basis.

We rely on a set of IT systems and tools in our R&D activities which are generally basic open-source software or tools freely available online. We also independently developed a project management software to help us plan our project resources, and control and track the expenses and progress of our projects. It is utilised by us in collecting, consolidating and distributing all the information entailed in our project management process. Our project management software not only contains the traditional functional modules such as progress planning, expenses control, resources coordination and graphic reports, but also includes such advanced functions as contract management, procurement management, risk management, quality management, claim management, organisation management, which form a complete information system that covers every aspect of our project management activities.

Since 2021, we have relied on the OA system to help us perform multiple managerial and administrative functions, including without limitation work coordination, human resources and administrative management, contract management, conference management, publication of news and announcements, and licences and chop management. With this automated system, we have achieved faster approval processes, reduced administrative costs, increased efficiencies and productivity, and most importantly, enhanced coordination among different department and entities within our Group. Separately, we utilised a financial software for our Group's financial and accounting management activities including recording our Group's financial data, preparing financial statements and managing our fixed assets.

Our Directors confirm that we did not encounter any major failures, improper performance or malfunction of the abovementioned IT systems, or suffer any related loss during the Track Record Period and up to the Latest Practicable Date.

### COLLABORATION WITH MAJOR STRATEGIC PARTNERS

We have actively collaborated with different market players in China to create synergies and help us enhance our in-house R&D capabilities, enrich our product and service offerings and seek new commercialisation opportunities of our technologies. Our Directors are of the view that the strategic collaboration with our major business partners offer us significant competitive edge for technology innovations and business development.

#### Collaboration with SGS

In June 2021, we established exclusive cooperation relationship with a world-leading multi-national verification, testing and certification solutions provider, namely SGS, in China pursuant to a strategic cooperation agreement entered into between the parties (the “**June 2021 Agreement**”), whereby we were appointed as the exclusive partner of SGS in China in relation to ICV simulation tool chain and SGS was appointed as our exclusive partner in respect of FuSa certification for advanced ICVs. In March 2022, we entered into another strategic cooperation agreement with SGS (the “**March 2022 Agreement**”), pursuant to which the parties agreed to cooperate in SOTIF-related training, advisory, evaluation and engineering services and to jointly promote the establishment of a voluntary SOTIF certification system for ICVs in China. Under the collaboration project, *Safety Pro* and *Sim Pro* will be the only SOTIF analysis tool and ICV simulation testing, validation and evaluation tool to be recommended by SGS to assist enterprises in performing SOTIF-related ICV testing, validation and evaluation. In turn, SGS will be the only SOTIF certification institution we will recommend to automotive manufacturers. The parties to the agreement also agreed to promote the mutual recognition of the respective laboratories and the recognition thereof by competent certification authorities in the PRC. The agreement has a term of three years which is renewable upon mutual agreement of the parties.

In September 2022, our Group and SGS entered into a third strategic cooperation agreement (the “**September 2022 Agreement**”) to establish business cooperation with respect to FuSa and SOTIF with an aim to developing a range of joint services. Under the cooperation

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arrangement, SGS will recommend our Group to its customers as having relevant know-how in advisory and consulting activities in the areas of FuSa and SOTIF, and offer our Group and/or our end customers audits, assessments and certification in relation to FuSa and SOTIF. On the other hand, our Group will make recommendations regarding SGS as an assessment and certification partner, and offer SGS and/or its end customers advisory and technical support for FuSa- and SOTIF-related analysis, design, verification and validation services and provide relevant test tools.

Salient terms of the June 2021 Agreement, the March 2022 Agreement and the September 2022 Agreement are set forth in the table below:

	June 2021 Agreement	March 2022 Agreement	September 2022 Agreement
<b>Duration</b>	: Three years from June 2021 to June 2024.	Three years from March 2022 to June 2025.	The agreement is valid from September 2022 until its termination by six-month advance notice from either party.
<b>Details of cooperation</b>	: We are appointed as the exclusive partner of SGS in China in relation to ICV simulation tool chain, and SGS is appointed as our exclusive partner in respect of FuSa certification for advanced ICVs.	<i>Safety Pro</i> and <i>Sim Pro</i> will be the only SOTIF analysis tool and ICV simulation testing, validation and evaluation tool to be recommended by SGS, and will be the only SOTIF certification institution we will recommend. <sup>(Note)</sup>	SGS will recommend to its customers our FuSa and SOTIF advisory services, and we will recommend SGS as an assessment and certification partner. <sup>(Note)</sup>
<b>Confidentiality</b>	: The parties are obligated to keep confidential all materials and information obtained from each other under the agreements.		

*Note:* Fees or fee ranges of each other's products/services under the March 2022 Agreement and the September 2022 Agreement are to be determined by the parties on a project-by-project basis.

### Collaboration with TÜV SÜD

In April 2024, we entered into a strategic cooperation agreement with another world-leading testing and certification solutions provider, namely TÜV SÜD, in China pursuant to which the parties agreed to collaborate in high levels of intelligent driving and related testing and certification through exchange of knowledge and information and joint organisation of industry events and activities.

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The table below sets forth the salient terms of the strategic cooperation agreement between us and TÜV SÜD:

<b>Duration</b>	:	The term of cooperation is five years from April 2024 to April 2029, which is automatically renewable for another five years upon expiration.
<b>Details of cooperation</b>	:	The parties agree to cooperate and exchange knowledge and information in relation to, among others, (i) international standards and regulations regarding high levels of intelligent driving; (ii) the testing of ICVs; (iii) digital innovation and data management; and (iv) scenario databases.
<b>Confidentiality</b>	:	The parties are obligated to keep confidential all materials and information obtained from each other during the validity period of the agreement and for two years after the termination of the agreement.
<b>Intellectual property</b>	:	The parties remain the owner of the IP rights they respectively own prior to the agreement. For IP rights newly generated due to performance of the agreement, ownership shall be determined by the parties upon negotiation.

### AWARDS AND CERTIFICATIONS

Since we commenced the ICV testing, validation and evaluation business in 2018, we have been granted a number of major awards and obtained certain important certifications in recognition of our technology and innovation achievements, the particulars of the major ones of which are set out as follows:

<b>Award/Certification</b>	<b>Issuing authority</b>	<b>Validity period/ Issuing year</b>
ISO 26262 (TCL 2) Functional Safety Certificate of <i>Safety Pro</i>	SGS-TÜV	Since 2023 <sup>(Note 1)</sup>
Key Software Enterprise* (重點 軟件企業)	NDRC	Since 2022 <sup>(Note 2)</sup>

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Award/Certification	Issuing authority	Validity period/ Issuing year
National High and New Technology Enterprise* (國家級高新技術企業)	Science and Technology Commission of Beijing Municipality* (北京市科學技術委員會), Beijing Municipal Finance Bureau* (北京市財政局), Beijing Municipal Tax Service of SAT* (國家稅務總局北京市稅務局)	2022-2025
Expanded accreditation in respect of functional safety (功能安全擴項認證) by the CNAS <sup>(Note 3)</sup>	CNAS	2022-2027
Certificate of Accreditation as an Inspecting and Testing Institution* (檢驗檢測機構資質認定證書)	Beijing Municipal Administration for Market Regulation* (北京市市場監督管理局)	2022-2028
ISO 26262 (ASIL D) Functional Safety Certificate of <i>Sim Pro</i> Simulation Tool Chain	SGS-TÜV	Since 2021 <sup>(Note 1)</sup>
Specialised, Sophisticated, Special and New “Little Giant” Enterprise of Beijing* (北京市專精特新「小巨人」企業)	Beijing Municipal Bureau of Economy and Information Technology* (北京市經濟和信息化局)	2024-2027
Specialised, Sophisticated, Special and New “Little Giant” Enterprise* (專精特新「小巨人」企業)	MIIT	2024-2027
The ICV testing laboratory accredited by the CNAS	CNAS	2021-2027
Zhongguancun High and New Technology Enterprise* (中關村高新技術企業)	Zhongguancun Science Park Management Committee* (中關村科技園區管理委員會)	2024-2026

*Notes:*

1. To the best knowledge and information of our Directors, these certifications do not have a validity period or expiration date.
2. To the best knowledge and information of our Directors, our Key Software Enterprise qualification does not have a validity period or expiration date. However, this qualification is subject to annual review by the government, failing which our Company will not be entitled to the preferential EIT rate for the relevant year as discussed in “Financial information – Discussion of selected items in consolidated statements of comprehensive income – Income tax expenses/Income tax credit” in this prospectus.
3. This is pursuant to the industry standard GB/T 34590.6-2017 Road vehicles – Functional safety – Part 6: Product development at the software level (道路車輛功能安全第6部分:產品開發:軟件層面).

## INTELLECTUAL PROPERTY

We value the importance of technology and place great emphasis on our R&D efforts, and rely on a combination of patents, copyrights, trademarks and domain names to protect our IP rights. As at the Latest Practicable Date, we (i) possessed 75 registered patents, 61 registered copyrights (among which 60 are registered software copyrights and one is other registered copyright), 22 registered trademarks and four domain names in the PRC, and seven registered trademarks in Hong Kong; and (ii) have applied for 92 patents and three trademarks for registration in the PRC. Details of our IP rights are set forth in “B. Further information about our business – 2. Our intellectual property rights” in Appendix VI to this prospectus.

Our Directors confirm that, as at the Latest Practicable Date, we were not aware of any infringement (i) by us of any IP rights owned by third parties; or (ii) by any third parties of any IP rights owned by us. Further, as at the Latest Practicable Date, we were not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any IP rights imitated by or against us that had a material and adverse effect on our business.

## DATA PROTECTION AND PRIVACY

### Data collection and processing

In the course of our provision of products and services related to ICV simulation testing platforms and ICV data platforms and other products, we directly collect personal information of our contacts from our business partners (the “**Contact Data**”), and indirectly collect real-world data of the traffic and relative movement of the vehicles (the “**Real-world Data**”) through qualified third parties (such as third-party map suppliers with surveying and mapping qualifications) after such data have been desensitised. We mainly collect information from public databases and third party sources (such as high-precision maps) to build our own scenario databases to be utilised and embedded in our ICV simulation testing software and platforms. Further, we collect job applicants’ personal information for our recruitment purpose. We do not collect or process data generated by our customers and/or their end-users (“**Customer Data**”) via their usage of the ICV simulation testing software and platforms we delivered. After our ICV simulation software and platforms are delivered to our customers, the

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Customer Data generated will be stored in customers' or end-users' local servers, which we do not have access to. Our customers can set up software offered by us in a standalone system or in their local servers, while we do not offer our products and services in public cloud.

We mainly collect two types of data, namely (i) the Contact Data; and (ii) the Real-world Data. We only (i) use the Contact Data to establish and maintain business relationships; and (ii) use the Real-world Data to better construct virtual scenarios for the ICV simulation set-up process. For the Contact Data, our business partners and the contact persons own such data, with our usage of the Contact Data limited to conducting business cooperation. For the Real-world Data, in accordance with the agreement we entered into with the third party data providers, the IP rights to the Real-world Data belong to the third party data providers, and we only have the right of use of the data in ways that are authorised by the third party providers.

We mainly engage third party data providers to collect and provide to us data (such as high-precision maps) to be used in our simulation solutions. Although the original data collected by our third party data providers may include drivers and car plates of vehicles, the original data will not be provided to us and the relevant data provided had already been processed with relevant technology and cannot be restored such that no personal information can be identified or restored. Further, our current technology cannot restore the processed data and we have no intention to restore the processed data into its original form.

Save for the aforesaid, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our business operations did not require us to collect other personal information of our customers, business partners, or other third party individuals, and the data we collected contain only minimal personal information of individual persons for recruitment or business contact purpose, and we do not expect to collect or process such other personal information in our future business and operations.

In preparation for the Listing, we have engaged a legal adviser to advise on various data privacy and data compliance matters, and the legal adviser is of the view that our practice is in compliance with all applicable laws and regulations on data protection and privacy in the PRC in all material respects.

We have in place comprehensive internal control measures and policies to make sure we do not violate any applicable laws or regulations on data protection and privacy or infringe upon any third party rights in our collection and processing of data. These measures include:

- Our data is collected on an as-needed basis. We are required to make a comprehensive judgement based on the circumstances as to the necessity of data collection. In the case that the relevant data collection subject authorises us to collect its data, we will not process the data beyond the scope and purpose authorised by the data subject;

- We strictly control our data collection method and monitor the data collection process. Our data collection personnel are not allowed to infringe the security policy or violate the encryption rules;
- The data processed by our own data acquisition devices and software is automatically desensitised upon collection through cleansing, encryption and anonymisation in accordance with applicable laws, regulations and policies and standards regarding security and privacy;
- We strictly analyse the type of data prior to collection. Personal information, materials attached with IP rights or containing trade secrets of third parties will not be collected without first obtaining authorisation;
- We are required to limit the volume of data to be collected to a reasonable level, duration to keep the data to a minimal level and consider the potential public interest implications. We evaluate whether such data collection will subject us to reputational risks or disputes;
- We have implemented various internal control measures to ensure secured storage and transmission of data, including establishment of a dedicated team responsible for cyber security and data security management to oversee the implementation and assessment of our data security measures, and prohibiting any unnecessary access to our database; and
- We have adopted internal management procedures to ensure the safety management of data, including data processing guidelines covering the full-cycle of data processing, facility entry control (unauthorised persons are prevented from gaining physical access to the premises), use control (prevention of use/installation of unauthorised hardware/software), access control (access authorisation is granted on a “need-to-know” basis) and vendor control (product or service provided by third party vendors will go through risk assessment).

### **Data usage, storage and destruction**

We use, store and retain the data we collect only within the territory of the PRC, and we only retain the collected information and data for such periods and purposes in accordance with the respective agreements we entered into with our business partners and relevant data providers, and as allowed by applicable laws and regulations. The data we collect is stored in our local server which has passed the certification of ISO 27001, which is a leading international standard focused on information security. We do not sell, transfer, share or otherwise provide any data we collect to our business partners or any other external parties and we do not intend to conduct any cross-border data sharing or transmission arrangement with regard to such data.



We do not allow data usage and operations other than by qualified personnel with proper authorisation to prevent unauthorised use or leakage. We have also adopted classification of such authorisation according to employee seniority and department function to ensure the relevant data can only be accessed by our employees on a need-to-know basis. During the Track Record Period and up to the Latest Practicable Date, we did not experience any leakage or loss of our collected data. Upon expiry of the data retention period, the relevant data will be destructed with all copies of such data deleted.

#### **Data management in respect of *Safety Pro* and *Sim Pro***

##### ***Safety Pro***

***Safety Pro*** processes but does not store user data during the safety analysis process which mainly include the customers/users' intelligent driving solutions. However, during the Track Record Period, we generally used ***Safety Pro*** in the following two manners, neither of which enables us to access any data of third parties (including our customers that purchased safety-related products or services, or other users of ***Safety Pro***) processed during the analysis process of ***Safety Pro***:

- (i) in most occasions, ***Safety Pro*** was used by us as a standalone software product or embedded in integrated solutions (e.g. the cloud-based or non-cloud based ICV simulation testing platforms) to sell to our customers for their own performance of safety analysis on their intelligent driving solutions. In this scenario, once ***Safety Pro*** is sold, the control and ownership of the software will be transferred to our customer and we will have no access to any data collected, processed, stored and/or generated by ***Safety Pro*** during the safety analysis process. Therefore, our customer that owns and operates ***Safety Pro*** will be responsible for any data (including user data, if any) processed during the safety analysis process of ***Safety Pro***; and
- (ii) in limited cases of advisory services, we may be required to directly use ***Safety Pro*** to perform safety analysis on algorithms and their related key components of our customers' intelligent driving systems so as to advise our customers on issues regarding FuSa and SOTIF. In this scenario, we generally perform the safety analysis task by sending staff to our customers' premises and perform on-site safety analysis using their computers or other devices. We will give our customers limited and timed access to the ***Safety Pro*** software on their devices and then our staff will operate the software on such devices, or instruct our customers to operate the software and perform the analysis themselves. As such, we will not have any access to any data collected, processed, stored and/or generated by ***Safety Pro*** during the safety analysis process, which is collected, processed, stored and/or generated within our customers' devices. Therefore, our customers will be responsible for ensuring the proper use of any data (including user data, if any) processed during the process.

***Sim Pro***

***Sim Pro*** can also be used in two manners in offering products and services to our customers, including (i) being sold by us as a standalone software product or embedded in integrated solutions (e.g. the cloud-based or non-cloud based ICV simulation testing platforms) to customers for their own performance of simulation tests; and (ii) being directly used by us to provide simulation testing services for our customers.

In scenario (i), similar to the sale of ***Safety Pro*** or ***Safety Pro***-embedded solutions to our customers, we have no access to any data collected, processed, stored and/or generated by ***Sim Pro*** during the simulation testing process. In scenario (ii), we will not have access to our customers' solutions as we adopt the black-box testing method when performing testing services to our customers. The black-box testing is a method for software testing that examines the functionalities of the target software without having knowledge of its source code, architecture and configuration. As such, under the black-box testing method, ***Sim Pro*** will not be able to access, store or process any data or information regarding the algorithms and their related key components of the intelligent driving systems of our customers.

**MARKET AND COMPETITION**

We operate in the ICV testing, validation and evaluation solutions industry in China, where we compete with both foreign and domestic ICV testing, validation and evaluation solutions providers. At present, the foreign ICV testing, validation and evaluation solutions providers mainly provide simulation testing software. Equipped with decades of industry experience, they particularly dominate the market of sophisticated testing and safety validation solutions required by ICVs at L3 or above. The leading China-based market players, on the other hand, can competitively provide one-stop customised ICV testing, validation and evaluation solutions comprising simulation testing software and platforms, data platforms, ICV testing services, and other services such as ICV-related advisory services. Going forward, it is expected that the domestic providers and the domestically developed ICV simulation solutions will continue to enhance their competitiveness given their ability to cater to the specific traffic environment, regulatory regime, customer needs, etc. in China.

Based on a total revenue of approximately RMB175.7 million in 2023, we occupied a market share of approximately 5.3% and ranked the first in the ICV testing, validation and evaluation solutions industry in the PRC in 2023. For further details in relation to the competitive landscape of China's ICV testing, validation and evaluation solutions industry, please refer to "Industry overview – Competitive landscape" in this prospectus. We believe that with our competitive strengths coupled with our future development strategies as set out in "Our competitive strengths" and "Our strategies" in this section above, we will maintain our market position and continue to stand out in China's ICV simulation testing software and platforms market as well as the ICV testing, validation and evaluation solutions industry as a whole.

For risks relating to our competitiveness in the industry, please refer to "Risk factors – Risks relating to our business and industry – We may face intensified competition in the future, and any failure to compete effectively and efficiently may materially and adversely affect our business, financial condition, operating results and prospects." in this prospectus.

**SEASONALITY**

We have experienced and may continue to experience period-to-period fluctuations in our results of operations primarily due to the project-based nature of our business and our policy for revenue recognition. Our revenue is generally recognised when (i) for our products, the relevant products are delivered to the customers' designated place, inspected and accepted by our customers; or (ii) for our services (excluding platform operation and maintenance services), the relevant services are completed and the related testing/advisory reports are delivered to our customers.

In each financial year during the Track Record Period, we delivered more projects and recorded more revenue in the second half than the first half of the year. Our revenue recognised in the last quarter of each of FY2021, FY2022 and FY2023 amounted to approximately RMB64.9 million, RMB119.2 million and RMB147.5 million, respectively, accounting for approximately 60.7%, 82.1% and 84.0% of our total revenue, respectively. Such pattern of revenue recognition during the Track Record Period was primarily attributable to the fact that:

- (i) certain types of our customers (mainly including government authorities, SOEs and automotive manufacturers) operate under the annual procurement budget cycle. To the best knowledge and information of our Directors and as confirmed by F&S, these customers generally carry out their internal procurement budget planning and source appropriate suppliers in the first half of the year followed by negotiating and entering into the procurement contracts with suppliers, request for delivery of products/services in the second half of the year, and complete and accept the procurement before the end of the same year. It is also common for these customers operating under annual procurement budget cycle to aim for full utilisation of their allocated procurement budgets before the end of the same year.

Other types of our customers (such as technology companies) may act as intermediaries (such as solutions integrators) to on-sell our solutions, or integrate our solutions with their own for sale to their end customers (including government authorities, SOEs and automotive manufacturers). In such cases, they will be affected by the annual procurement budget cycle of such end customers.

Further, our projects of large contract value, such as ICV simulation testing platforms and ICV data platforms projects, usually involve a high degree of customisation to suit the local environment and application, and therefore, extensive budgetary and project planning, negotiation and project modifications are required throughout the procurement cycle before project completion and acceptance. Therefore, the customers generally incline to complete and accept such projects when the remaining balance of their annual budget is more visible in the last quarter of the year;

- (ii) we generally kick off our marketing activities towards the end of the first quarter of the year and typically, after the Chinese New Year holiday when most of target customers resume to work. For the sale of standalone software products, we generally initiate our marketing efforts by first approaching potential customers to present our products and services' offerings and let them have the trial use of our software for two to three months, or a longer period upon customers' reasonable requests. Following the trial period, interested customers generally commence negotiations with us in the second or third quarter of the year, which may lead to formal contract signing, followed by project implementation and completion in the third or forth quarter of the year;
- (iii) to the best of knowledge and information of our Directors, some of our customers prolonged their inspection and acceptance of our products/services delivered until the end of the year during the Track Record Period in order to allow them to have a longer trial time of our products before formal acceptance and to extend their payment due dates and at same time, not to affect their year-end closing procedures as well as their financial budgeting of capital expenditures for the next year;
- (iv) during FY2021 to FY2023, we set the internal performance targets for our sales and marketing team on an annual basis. As such, in order to meet our own internal annual performance targets by the end of the year, we generally made extra efforts in the sales and marketing of our products and services in the second half of the year, particularly the fourth quarter, leading to more contract signing and project completion by the end of the year. Further, we use our best endeavours to accommodate our customers' requests to complete our work and deliver our products/services before the end of the year. As a relatively newly established company and in order to compete with our competitors, we are willing to:
  - (a) offer trial services of our products to our potential customers and demonstrate the functionality of our products before their confirmation of purchases;
  - (b) allow more time in the pre-contract communications and negotiation and offer assistance to our potential customers in their consideration process prior to contract commitment so as to establish trust relationship with our customers which, we believe, could facilitate and enhance our chance to secure contracts with potential customers who show interests in our products and/or services; and
  - (c) accommodate the payment schedule preferred by our customers (generally, before the end of the relevant year in order to fully utilise the approved amount in their annual budget);

- (v) certain major industry policies or regulations were issued in the second half of the relevant years (such as the MIIT Opinions in July 2021, the Draft Pilot Notice and the Pilot Notice in November 2022 and 2023, respectively) that we considered these had boosted the demand for our products/services in the second half of the year;
- (vi) we participated in various industry events and exhibitions during which we acquired or become acquainted with some of our customers. Most of such industry events and exhibitions took place in the second half of the year. For example, the World Intelligent Connected Vehicles Conference (世界智能網聯汽車大會) has been held in September every year, where, for example, we became acquainted with Customer C in 2021 and subsequently, commence negotiation in the first half of the following year and then commence cooperation and project implementation in the second half of the following year; and
- (vii) during FY2022, despite our devoted pre-contract communications and negotiation with customers, the strict quarantine and containment measures to combat COVID-19 Omicron variants in the PRC during the second and third quarters of 2022 had adversely affected our business operations and new contract negotiation. The nationwide loosening of COVID-19 restrictions in early December 2022 had triggered the strong increase in the contract signing, and followed by our project completion and delivery (with most of our customised solutions having already been confirmed during our pre-contract communications and readily available for delivery) towards the end of FY2022.

Since (i) our total revenue during each of FY2021, FY2022 and FY2023 was primarily attributable to our major projects completed for each particular year; and (ii) our revenue is generally recognised upon the delivery of products/services and the completion of inspection and acceptance by our customers (rather than upon contract signing or over the course of contract performance (i.e. progress of completion), etc.), the seasonal fluctuations in our revenue during each financial year of the Track Record Period highly depended on the timing of delivery and the customers' acceptance of our major projects. In each of FY2021, FY2022 and FY2023, given that most of our top five projects were completed in the last quarter of the years, we recognised a significant proportion of our revenue in the last quarter of the years.

Nevertheless, due to our limited operating history, the seasonal fluctuations in our results of operations which we have experienced in the past may not apply to, or be indicative of, our future results of operations. In order to speed up our revenue recognition process and to alleviate the issue of seasonal fluctuations and the associated business risks in the future, we consider and implement appropriate measures as and when appropriate, and in particular, in 2024, we have changed our internal performance targets for our sales and marketing staff from an annual basis to a quarterly basis, so as to encourage them to urge our customers to timely finalise and execute contracts. Besides, once our projects have been completed, we will use our best endeavour to request our customers to complete the inspection and acceptance as soon as possible, rather than in the last quarter of the years.

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F&S is of the view that the ICV testing, validation and evaluation solutions industry in the PRC, in which a majority of the market players offer standardised standalone ICV simulation testing products (as differentiated from our products and services offerings as disclosed above), does not generally exhibit substantial seasonal characteristics. Nevertheless, F&S is of the view that it is not uncommon and commercially justifiable for some market players, in particular those offering ICV testing, validation and evaluation solutions which involve a high degree of customisation, like our Group, to experience seasonal fluctuations in their operating results.

Please refer to “Risk factors – Risks relating to our business and industry – Our revenue recognition was and may continue to be subject to period-to-period fluctuations.” in this prospectus for further details of the risks of fluctuations on our revenue recognition from period to period.

### EMPLOYEES

As at the Latest Practicable Date, we had a total of 187 full-time employees directly employed by us who are all located in the PRC. The following table sets forth a breakdown of the number of our full-time employees by function as at the Latest Practicable Date:

	Number of employees	% of total
R&D	139	74.3
Management and administration	29	15.5
Sales and marketing	19	10.2
<b>Total</b>	<b>187</b>	<b>100.0</b>

### Recruitment policy

We reckon that our success in the ICV testing, validation and evaluation solutions industry is greatly dependent on our employees whom we value as our important assets. As such, our capability to recruit and retain experienced and skilled talents, in particular technical staff, is crucial to our long term development. We generally recruit our employees through (i) internal referral; and (ii) external channels such as publishing advertisements on recruitment websites and social media platforms.

We enter into employment contracts with our full-time employees, which generally cover terms including employment period, monthly salary and benefits, termination as well as confidentiality, IP and non-competition obligations.

### **Employee training**

We provide both internal and external training sessions to our employees to improve their work performances. Our internal training includes induction training and on-the-job training which can be conducted either physically or remotely. It covers various aspects of our employees' development, which include, among other things, data security awareness, general skills, professional skills and management capabilities. We also encourage and, to some extent, sponsor our employees to attend external training programmes from time to time to further improve their technical knowledge and professional skills.

### **Remuneration and benefits**

We believe that we offer competitive remuneration packages to our employees.

In addition to basic salaries, our employees are entitled to annual discretionary bonuses based on our employees' job performance. Our Directors are of the view that our competitive performance-based discretionary bonus can motivate our employees and promote job satisfaction. We had the Employee Incentive Scheme to motivate our key management and skilled personnel. Please refer to "D. Employee Incentive Scheme" in Appendix VI to this prospectus for further details of the Employee Incentive Scheme.

In accordance with the relevant laws and regulations and local policies in the PRC, we participate in housing fund and employee social security plans organised by applicable local PRC government authorities, including housing provident fund, pension, medical, work-related injury, maternity and unemployment benefit plans, under which we have made contributions at specified percentages of the salaries of our employees in the PRC where applicable.

### **Relationship with our employees**

Our Directors believe that we maintain an amicable working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in the recruitment or retention of experienced staff or skilled personnel and we did not experience any material labour disputes with our employees, encounter any disruption to our operations due to labour disputes, strikes or work stoppages, or receive any claims from our employees.



**OCCUPATIONAL HEALTH AND WORK SAFETY**

We are not subject to significant health or work safety risks. To ensure compliance with applicable laws and regulations, from time to time, we would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labour and work safety laws and regulations in the PRC. In recognition of our efforts in ensuring workplace safety and occupational health for our employees pursuant to international standards, we were accredited with the ISO 45001:2018 Occupational Health and Safety Management System Certification in November 2019. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health or work safety laws and regulations.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS**

We acknowledge our responsibilities on environmental protection, social responsibilities and corporate governance (“**ESG**”) and are committed to promoting environmental protection, corporate social responsibilities and sustainable development and integrating them into our business operations. Accordingly, we have implemented an internal policy concerning ESG matters (“**ESG Policy**”) which sets forth certain measures including our environmental protection and social responsibility objectives and provides guidance on practising them in our daily operations.

**ESG governance**

Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG Policy, and evaluating, determining and addressing our ESG-related risks regularly. Under the ESG Policy, we will establish an ESG management group, which will be led by Mr. Hu, the chairman of the Board and an executive Director, and Mr. He, an executive Director, the general manager and Board secretary. The ESG management group is responsible for (i) formulating our ESG strategies, targets and annual work plan; (ii) monitoring and reviewing the implementation of the work plan and the relevant budget and the targets on a regular basis; and (iii) reviewing the ESG report. The ESG management group will meet annually to identify, assess, monitor and report on climate-related issues.

We will also establish an ESG execution team under the ESG management group to support the work of the ESG management group. The ESG execution team comprises the head of departments of our Group and is responsible for (i) implementing the work plans and strategies formulated by the ESG management group in the relevant departments; (ii) collecting ESG-related data and preparing the ESG report; and (iii) providing analyses, recommendations and updates on material ESG matters to the ESG management group based on the data collected.



After Listing, our Directors confirm that they will continue to closely monitor and ensure compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules and all other relevant rules and regulations in relation to ESG matters. Our Directors will assess or engage a third party consultant to evaluate the ESG-related risks and review our existing ESG Policy as and when necessary. Improvement will then be implemented to mitigate the risks if necessary.

### **Identification, evaluation and management of ESG risks**

We intend to adopt various strategies and measures to identify, evaluate and manage ESG-related risks, including but not limited to:

- (1) closely following the latest legal development on ESG matters and updating our ESG Policy to ensure that we comply with the latest regulatory requirements;
- (2) reviewing our ESG performance on a regular basis against our targets and with reference to the global risk landscape to guide us to achieve better ESG performance;
- (3) discussing with our management from time to time to ensure material ESG-related issues are addressed and reported;
- (4) establishing communication channels and discussing with key stakeholders, including our major customers, major suppliers, management team and employees, on an ongoing basis to identify material ESG-related issues and risks inherent to our business operations, and monitor how our environmental, social and climate-related performance has impacted key stakeholders; and
- (5) engaging professional advisers to advise on our compliance with ESG matters.

### **Environmental protection and metrics**

We assess our environmental performance by understanding the environmental footprint. In view of our business nature, we generally do not generate, whether directly or indirectly, industrial pollutants in our course of business. Therefore, we are not subject to significant environmental risks. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with environmental laws and regulations. We do not expect any material liabilities or expenditures to be incurred in such respect in the foreseeable future. In addition, we have obtained the GB/T24001-2016 and ISO14001:2015 Environmental Management System Certification in recognition of our efforts in maintaining international environmental management standards.

After Listing, we will continue to put strong emphasis on environmental protection and strive to develop and operate an environmental management system that achieves high standards on pollution prevention and resources preservation, and our Directors will continue to monitor and evaluate any potential environmental issues and risks in our business operations and will promptly respond with a view to minimising their impact.

### ***Emissions management***

The usage of electricity in our office premises forms the major source of our greenhouse gas (“GHG”) emissions.

For further details on our energy consumption and measures for reducing GHG emissions from such consumption, please refer to “Environmental, social and governance matters – Environmental protection and metrics – Use of resources” in this section below.

### ***Waste management***

Owing to our business nature and to the best knowledge of our Directors, our Group did not generate material amount of hazardous waste, except for toner cartridges which will be returned to our supplier for recycling, in the course of our operations. As for non-hazardous wastes, paper and other office materials consumed in our offices are the main non-hazardous wastes generated from our Group’s operations.

With the aim to minimising the environmental impacts from non-hazardous wastes generated from our business operations, our Group has implemented various measures in waste management and launched different wastes reduction initiatives, including the following:

- (1) purchase and allocate office supplies in accordance with actual office needs and encourage employees to reuse and recycle used office materials and equipment to the extent possible;
- (2) recycle all used toner/ink cartridges;
- (3) encourage double-sided printing and the reuse of papers;
- (4) encourage frequent use of digital documents in place of printed ones; and
- (5) minimise waste generation by avoiding overusing as well as encouraging the reuse of cartons, packaging materials and cardboards.

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### *Wastewater management*

Due to our business nature, our Group did not discharge material amount of wastewater in the course of our operations, which is mainly domestic sewage produced in our offices and is processed through water discharge facilities controlled by building management.

### *Greenhouse gas emissions*

We regularly monitor the level of greenhouse gas (“GHG”) emissions. Our GHG emissions are mainly contributed by the electricity used in our office and the Shunyi Testing Site we operate. The following table sets forth an analysis of our GHG emissions for the periods indicated:

		Year ended 31 December			Period ended
		2021	2022	2023	30 June 2024
	Unit				
Scope 1	tonnes of CO2-e	–	–	–	–
Scope 2 <sup>(Note)</sup>	tonnes of CO2-e	176.00	228.91	236.10	83.83
<b>Total</b>	tonnes of CO2-e	<b>176.00</b>	<b>228.91</b>	<b>236.10</b>	<b>83.83</b>
Total Intensity	kg of CO2-e/ thousand of RMB revenue	1.65	1.57	1.34	1.51

*Note:* The scope 2 emission comes from electricity consumption of our office premises at No. Shu 087, Compound 1, Beiwu Road, North Shicao Town, Shunyi District, Beijing\* (北京市順義區北石槽鎮北武路1號院內戊087號). The Shunyi Testing Site during the Track Record Period are not available and therefore excluded from the scope 2 emission calculation as the relevant landlord and Customer A were responsible for the supply of electricity and payment of the electricity bills.

Our management is improving the data collection mechanism to disclose performance on scope 3 greenhouse gas emissions which were mainly generated from business travelling by our employees. We target to disclose the scope 3 greenhouse gas emissions performance in the coming financial year.

### *Use of resources*

We mainly consume electricity and freshwater in our offices and the Shunyi Testing Site we operate.

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The following table sets forth an analysis of our electricity consumption for the periods indicated:

	Year ended 31 December			Six months ended
	2021	2022	2023	30 June 2024
Electricity consumption (kWh) <sup>(Note)</sup>	176,000	394,000	414,000	147,000
Intensity of electricity consumption (kWh/thousand RMB revenue)	1.65	2.71	2.36	2.65

*Note:* The electricity consumption data of our office premises at No. Shu 087, Compound 1, Beiwu Road, North Shicao Town, Shunyi District, Beijing\* (北京市順義區北石槽鎮北武路1號院內戊087號) and the Shunyi Testing Site during the Track Record Period are not available and therefore excluded from the analysis as the relevant landlord and Customer A were responsible for the supply of electricity and payment of the electricity bills.

The intensity of electricity consumption with reference to our revenue for the year increased from approximately 1.65 for FY2021 to 2.71 for FY2022, primarily due to the addition and increase in use of electronic equipment to support our business growth and the increase in number of staff during the Track Record Period. The intensity of electricity consumption with reference to our revenue for the year decreased from approximately 2.71 for FY2022 to approximately 2.36 for FY2023 and approximately 2.65 for 6M2024, respectively, which is in line with our goal of maintaining our intensity of electricity consumption below 2.71 as disclosed below.

In relation to water consumption, as the supply and discharge of water were mostly controlled by building management of the premises we occupy or operate, there is no meaningful and exhaustive quantitative information available for our water consumption during the Track Record Period.

In the foreseeable future, our expenses regarding ESG issues are estimated to continue to increase along with our overall business development. We strive to balance business growth and environmental protection to achieve sustainable development in our business operation. Taking into account the historical levels during the Track Record Period and the expected increase in the number of staff and electricity consumption in light of our strategic expansion plan, we are committed to the goal of maintaining an intensity of electricity consumption of below 2.71 for each of the four years ending 31 December 2027.

In order to save electricity and water resources, we have in place and will continue to promote and adopt the following energy and water conservation measures:

- (1) avoid using lighting equipment in offices when there is sufficient natural light, and use LED lights in place of ordinary fluorescent tubes when there is insufficient natural light;
- (2) maintain workplace room temperature at approximately 24 to 26 degrees Celsius, and keep windows closed when air conditioners are on;
- (3) switch off electronic appliances, such as lights, air conditioners, computers, printers and other office automation machines, when they are not in use;
- (4) conduct regular checks and maintenance on water supply systems to avoid any water leakage;
- (5) remind employees to be mindful of environment when consuming resources; and
- (6) promote good environmental practices on both departmental and individual levels and foster a conservation culture within our Group.

### **Social responsibilities**

We are also committed to our corporate social responsibilities and aspire to be a socially responsible company that gives back and brings positive changes to the community and society. Our policies in addressing different social issues in relation to our Group are set out below:

#### ***Equal opportunities and labour standards***

We adhere to the principal of equal opportunities and anti-discrimination in the workplace. Under the ESG Policy and our employment policies, factors such as gender, age, race, nationality, ethnic background, religious belief and political affiliation and any other grounds of discrimination prohibited by applicable laws and regulations will never hinder one's opportunities for recruitment, rewards, training and development, career advancement or affect our employees' departure or retirement. We also prohibit employment of underage children or involuntary, forced or compulsory labour; or physical punishment, threat of violence, coercion or other forms of physical, sexual, psychological or verbal harassment, abuse or intimidation in workplace.

#### ***Training and development***

We acknowledge the importance of providing sufficient training and development opportunities for our employees. We have established an employee training mechanism to set aside internal budgets for organising different training programmes to our employees, with an aim to helping our employees grow as well as to ensure the quality of our products services. For details, please refer to "Employees – Employee training" in this section above.

### ***Health and safety***

Since we do not operate any production facilities, we are not subject to significant health or workplace safety risks. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any non-compliance incidents in the course of our business with respect to health and workplace safety; nor had we incurred any material health, social and workplace safety compliance costs or become subject to any fines or other penalties due to non-compliance with the relevant PRC laws and regulations. Nonetheless, we are committed to ensuring workplace safety and occupational health for our employees pursuant to applicable PRC laws and regulations. For further details, please refer to “Occupational health and work safety” in this section above.

### ***Community investment***

The public awareness on corporate social responsibility has kept rising in recent years. It expects corporations to operate and take long-term development of the society into consideration instead of focusing on short-term financial results and shareholders’ return. Our Group is committed to contributing to the community and understanding the needs of the communities in which we operate. We have in place the following measures under the ESG Policy to support our community investment and charitable initiatives:

- (1) designate specific department or staff to be responsible for community investment matters of our Group;
- (2) proactively participate in medical, environmental, poverty-relief and other community investment activities in local communities; and
- (3) be mindful of our social responsibilities when conducting our business operations, and be open to supervision by government authorities and comments and queries from the media and general public.

### ***Corporate governance matters***

We are committed to attaining high standards of corporate governance. We have in place various internal control policies to ensure our on-going compliance with the applicable laws and regulations relevant to our business operations and/or corporate governance. We abide by the principal of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during our business operations. Our ESG Policy also contains anti-bribery rules to increase the awareness of our employee against corrupt practices and we advocate zero tolerance against bribery, trafficking, unfair competition and other illegal activities. We have also established an anti-corruption policy which sets out further details of our anti-bribery rules. For details, please refer to “Risk management and internal control – Anti-corruption measures” in this section below.

With a view to achieving sustainable and balanced development, bringing different and diverse perspectives to the boardroom and enhance our Board's effectiveness and performance, we have also adopted a board diversity policy to promote the diversity of our Board. For further details, please refer to "Directors, Supervisors and senior management" in this prospectus.

### **Material environmental, social and climate-related risks and opportunities**

Our Group has identified certain material environmental, social and climate-related issues highly relevant to our Group's business which may lead to various risks and opportunities to our Group.

#### ***Environmental-related risks***

Ineffective energy management may potentially lead to excessive energy usage, leading to increased operating costs. In addition, under the current mounting geopolitical tensions, we may face the risk posed by volatile energy costs, which also lead to increased operating costs.

#### ***Social-related risks***

Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities, may put our Group at risk of high turnover rates and less competent workforce in medium and long term. Strong human capital development and provision of competitive remuneration packages may improve employee retention and dedication.

In addition, ineffective data protection and privacy policies may put our Group at risk of data leakages and privacy breaches, leading to increased costs in addressing regulatory actions, involving litigations and potential fines and also potentially tarnishing our reputation.

#### ***Climate-related risks***

Climate change has emerged as one of the biggest environmental challenges facing the world. Our Group recognises the importance and is committed to managing the potential ESG-related risks and climate-related risks which may have an impact on our Group's business activities. Such risks broadly fall into two categories: (i) physical risks; and (ii) transition risks.

#### ***Physical risks***

Increased frequency and severity of extreme weather conditions, such as typhoons, heavy rainstorms and flooding, may impose physical risks on our operations, which will have potential adverse financial implication for us. The occurrence of extreme weather events could result in direct damage to the properties located in our offices and the Shunyi Testing Site we operate, suspension of our operations, or potential injuries to our employees which will lower the productivity of our workforce. We may also experience indirect impacts from supply chain

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disruption if our suppliers suffer from such extreme weather events. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any operational or supply chain disruption due to extreme weather conditions.

In view of the potential damage and adverse impact discussed above, we will exercise, after the announcement of extreme weather events, various precautionary measures, such as (i) protecting the glass surface for all exposed windows; (ii) relocating valuable assets away from windows and floor area; and (iii) providing pumping equipment at areas of flooding risk, to safeguard the properties of our Group. We also intend to provide more disaster training and drills to our employees to enhance their capabilities of dealing with extreme weather events.

### *Transition risks*

Potential transition risks may arise from more stringent climate legislations and regulations, and changes in technologies and market sentiment to address growing concerns about climate change and to support the vision towards a lower-carbon economy. We acknowledge that there is an increasing requirement for climate-related information disclosures by a listed company and higher emission reduction standards and requirements. Failure to meet the compliance requirements in respect of climate change may lead to damage in corporate reputation as well as exposure to higher risks of claims and litigations. While we consider our operations to have limited exposure to transition risks due to our business nature, the related capital investment and compliance costs of our Group may increase as we respond to changes in the regulatory regime, technologies, customer preferences and demands with respect to climate change.

### *Opportunities*

In response to our climate-related risks in the policy, legal as well as reputation aspects, we will regularly monitor existing and emerging technological and market development trends, policies and regulations relevant to climate change and ensure that our senior management is aware of the relevant changes so as to avoid unnecessary costs or non-compliance fines incurred and to reduce reputation risks resulting from delayed responses. We will also cooperate with our customers, suppliers and business partners to continue to explore climate change opportunities and apply or develop more environmental-friendly new technologies.

## INSURANCE

We consider our insurance coverage to be adequate as we maintain all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of the mandatory pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance under PRC laws and regulations.



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In line with general market practice, we do not maintain any business interruption insurance, product liability insurance, or insurance covering damages to our network infrastructures or IT systems, which are not mandatory under the PRC laws. During the Track Record Period and up to the Latest Practicable Date, we had not made any material insurance claims in relation to our business and we had not experienced any material insurance disputes.

### PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties in the PRC for our operations:

Address	Approximate gross floor area (sq.m.)	Lessee	Expiry of lease	Use of property
Room 505 (B), Building 1, No. 246 Sitong Road, Sijing Town, Songjiang District, Shanghai* (上海市松江區泗涇鎮泗通路246號1幢505室(B)) (the “ <b>Songjiang Office</b> ”)	620	Shanghai Saimo	30 November 2026	Office premises
Rooms 301, 304, 305, 306, 307 and 308, International Innovation Building, Zhongguancun, No. 67 North Forth Ring West Road, Haidian District, Beijing* (北京市海淀區北四環西路67號中關村國際創新大廈301、304、305、306、307、308 房間) (the “ <b>Haidian Office</b> ”)	2,314.4	Our Company	6 October 2026	Office premises
Room 502, No. 77, Lane 25, Jiangchuan South Road, Sijing Town, Songjiang District, Shanghai* (上海市松江區泗涇鎮江川南路25弄77號502室)	135.9	Shanghai Saimo	1 March 2025	Staff accommodation
Room 401, Level 4, Saidi Building, No. 66 Zi Zhu Yuan Road, Haidian District, Beijing* (北京市海淀區紫竹院路66號賽迪大廈4層401室)	53.4	Our Company	31 December 2024	Office premises

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Address	Approximate gross floor area (sq.m.)	Lessee	Expiry of lease	Use of property
Room 302, No. 77, Lane 25, Jiangchuan South Road, Sijing Town, Songjiang District, Shanghai* (上海市松江區泗涇鎮 江川南路25弄77號302室)	135.9	Shanghai Saimo	14 September 2025	Staff accommodation
Room 384, Level 3, Building A, Jinxing Village, Yuhang Street, Yuhang District, Hangzhou, Zhejiang Province* (浙江省杭州 市余杭區余杭街道金星村A幢3樓 384室)	20	Zhejiang Saimo	24 September 2025	Office premises
Room 207, Building No. 9, No. 2 Tongshanxi Road, Zhongtai Street, Yuhang District, Hangzhou, Zhejiang Province* (浙江省杭州市余杭區中泰街道銅 山溪路2號9號樓207室)	154.1	Zhejiang Fly	12 November 2027	Office premises
Room 301, No. 279, Lane 1198, Gulou Road, Sijing Town, Songjiang District, Shanghai* (上海市松江區泗涇鎮古樓公路 1198弄279號301室)	89.2	Shanghai Saimo	24 November 2025	Staff accommodation
Room 102, Level 1, Building 1, Compound 2, Qianyi Road, Shunyi District, Beijing* (北京市順義區前怡路 2號院內1號樓一層102室) (the “Shunyi Office”) <sup>(Note)</sup>	N/A	Saimo Automotive Testing	N/A	Office premises

*Note:* As at the Latest Practicable Date, we had not entered into any written agreement for the use of this property, as the property owner verbally agreed to let us use the property for free. As advised by our PRC Legal Advisers, since there is no written agreement signed for this property and if there is a dispute between the parties regarding, among others, the term of use, and Saimo Automotive Testing has no evidence to prove its legal right to occupy the relevant property, we may be required by the property owner to vacate the property at any time pursuant to applicable PRC laws and regulations, causing the risk of cessation of use for our Group. However, as the Shunyi Office is used as the registered office and office premises of Saimo Automotive Testing and there is no specific requirement on such premises, our Directors confirm, and our PRC Legal Advisers concur, that the premises for replacement are readily available and any relocation would not have any material adverse impacts on our business operations.

### **Failure to complete lease registration**

Pursuant to applicable PRC laws and regulations, for property lease agreements, lease registration must be completed with the local housing or urban-rural development authorities in the PRC. As at the Latest Practicable Date, we had not completed the relevant lease registrations for six of our leased offices and three of our leased properties for staff accommodation listed above, which was primarily due to the difficulty of procuring our lessors' cooperation to register such leases. We will continue to communicate with such lessors to seek their cooperation to complete the lease registration process. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, none of our historical non-registration of lease agreements had led to any fine or penalty being imposed on us, or affected the validity of the lease agreements. As advised by our PRC Legal Advisers, we may be required by relevant government authorities to complete the lease registration for such lease agreements to rectify the non-compliance within a prescribed time limit, failing which we may be subject to a fine from RMB1,000 to RMB10,000 per lease agreement. As such, our Directors estimate that the maximum fine may amount to RMB90,000. As further advised by our PRC Legal Advisers, the historical non-registration incidents will not affect the continuous validity of these lease agreements or have any material adverse impact on the continuous business operations of our Group.

### **Defective leased property interests and other non-compliance of our leased properties**

For one of our office premises and two of our leased properties for staff accommodation (the “**Staff Dormitories**”), the lessors had not obtained the property ownership certificate or could not provide relevant authorisation documents evidencing their rights to lease the properties to us. As such, it is unclear whether the lessors are persons entitled to lease the relevant properties to us or we are able to continue to use the relevant property. As advised by our PRC Legal Advisers, if any of the lessors are unable to obtain the property ownership certificate, or they are not the legal owners and have not been duly authorised by the legal owners, we may be unable to continue to use or be demanded to vacate the relevant properties.

Further, the Songjiang Office is located on the allocated land and the owners of the leased property are required to obtain prior approval from the land and housing administration authority of the relevant PRC local government for leasing the premises, as well as to comply with certain requirements. As at the Latest Practicable Date, the owners of the aforementioned property could not provide any document evidencing approval from the relevant authority. As advised by our PRC Legal Advisers, we, as a lessee, are not obligated to obtain any approval for leasing the relevant properties and there is no risk for us to be penalised for such non-compliance. However, the validity of our lease may be challenged, in which case we will be unable to continue to use the leased property.

Moreover, the use of the Songjiang office is not consistent with the designated use of land stated on the ownership certificates of such property. As advised by our PRC Legal Advisers, persons approved by the government to use the land may be ordered to surrender the land such that we may be subject to the risk of cessation of use.

In respect of the above scenarios, if the validity of our lease is challenged, we may be forced to vacate the relevant property and relocate our office or the property for our staff accommodation. As at the Latest Practicable Date, we were not aware of any dispute or claim being made in respect of such leased property that might have a material adverse effect on the continuous operations of our current business.

### *Contingency plans adopted by us*

In the unlikely event that we are unable to continue to use the above leased premises and we are required to relocate due to the defective leased property interests or other non-compliance incidents in respect of such properties, we intend to take the following actions:

- (1) **Songjiang Office:** the gross floor area of the Songjiang Office is approximately 620 sq.m., which is used as the office premises of Shanghai Saimo. As at the Latest Practicable Date, we had 42 employees based in the Songjiang Office. Our Directors confirm that the premises for replacement are readily available in the vicinity of the Songjiang Office. As at the Latest Practicable Date, we had identified two premises with similar gross floor area to the Songjiang Office, as alternative premises for our operations conducted at the Songjiang Office.

In the event that any relocation of the Songjiang Office is required, we believe that such relocation can be completed in a timely manner and without incurring significant costs and expenses. We currently anticipate that the cost of relocation will not exceed approximately RMB230,000 for the Songjiang Office including the renovation and setting-up cost for the new office and the cost of removing the movable equipment and other assets from the original office. Further, the time required to complete the relocation is estimated to be no more than 10 days for the Songjiang Office. Given that all of our employees currently based in the Songjiang Office can work remotely, we believe that we will not experience any substantial disruption to our business operations or loss of revenue as a result of the relocation.

Based on the above, we do not expect that our business, financial position or results of operations will be subject to material adverse impact due to forced relocation of the Songjiang Office.

- (2) **Shunyi Office:** given that (i) we currently only have eight employees regularly based in the Shunyi Office; and (ii) the Haidian Office, our another office in Beijing, is sufficient to cater for the additional employees from the Shunyi Office, our Directors believe that the Haidian Office will be a suitable replacement office if in the unlikely event that we are not able to continue to use the Shunyi Office.
- (3) **Staff Dormitories:** in the unlikely event that we are demanded to vacate the Staff Dormitories such that our employees are unable to continue to live in such properties, we will offer appropriate monetary compensation to relevant employees for them to look for alternative accommodation themselves.

### **Indemnity provided by our Controlling Shareholder(s)**

In addition, we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any costs, expenses, claims, liabilities, penalties, losses and damages that our Group may suffer due to the fact that the lease agreements of our Group are invalidated or revoked or our Group is subject to any penalty with respect to our leased properties as disclosed above.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

Our Directors and senior management are responsible for the formulation of and overseeing the implementation and effectiveness of our risk management and internal control systems, which is designed to ensure our on-going compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance. We believe that our risk management and internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We have also adopted, or expect to adopt before the Listing, the following measures to ensure compliance with the Listing Rules upon Listing:

**Audit committee** : We have established an audit committee which comprises all independent non-executive Directors to review and supervise our financial reporting process and internal control system. Our audit committee has also adopted its terms of reference, which sets out its duties and obligations for ensuring compliance with relevant laws and regulations. For biographical details of the independent non-executive Directors, please refer to “Directors, Supervisors and senior management – Board committees – Audit committee” in this prospectus.

**Compliance with Listing Rules** : Our internal control policies cover aspects related to corporate governance, connected transactions and securities transactions by our Directors to ensure that our Company complies with the Listing Rules. Our Directors, Supervisors and senior management have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of being a director of a publicly listed company under the Companies Ordinance and the Listing Rules. To monitor the ongoing compliance with the Listing Rules, we will appoint a compliance officer to keep track of all updates of Listing Rules and ensure adequate disclosures.

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## BUSINESS

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<b>Appointment of Compliance Adviser</b>	:	We have appointed CEB International Capital Corporation Limited as our Compliance Adviser with effect from the Listing Date to assist our Board on ongoing compliance matters relating to the Listing Rules and/or other applicable securities laws and regulations in Hong Kong.
<b>Appointment of external PRC and Hong Kong legal advisers</b>	:	We will appoint qualified PRC and Hong Kong law firms upon Listing when necessary to advise our Group on compliance with the applicable laws and regulations in PRC and Hong Kong and, if necessary, to provide us with the relevant training from time to time.
<b>Internal control policies</b>	:	We have implemented internal control policies in relation to various aspects of our business operations, including without limitation software development process management, procurement management, intellectual property, data security, environmental, social and corporate governance, and accounting and finance matters to ensure the effective and efficient management of our business and its compliance with applicable laws and regulations.

In preparation for the Listing, we have engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases and payables, financial reporting, payroll and general controls of information technology.

The Internal Control Consultant performed the follow-up reviews to review the status of the management actions taken by our Group to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow-up Review.

### *Specific internal control measures*

We have also adopted various measures to ensure the effective and efficient management of our business and compliance with applicable laws and regulations.

- (1) *Data collection and privacy*: Please refer to “Data protection and privacy – Data collection and processing” in this section above for further details.

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## BUSINESS

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- (2) *Sanction laws:* Please refer to “Legal compliance and proceedings – Business activities with the Relevant Customer subject to International Sanctions Laws – U.S. sanction programme” in this section below for further details.
- (3) *Anti-corruption:* Please refer to “Risk management and internal control – Anti-corruption measures” in this section below for further details.

### **Anti-corruption measures**

We have implemented strict anti-corruption policies for all of our employees. We strictly prohibit bribery, improper payments or other forms of benefits in any of our business operations, including bribes, gifts, kickbacks, entertainment, or any other form of payment made or offered in exchange for undue business or personal advantage.

Our administrative department is responsible for the execution of the anti-corruption policies, and the promotion of the measures therein to ensure our employees’ awareness on our anti-corruption policies. We have established an anti-corruption committee which is headed by the general manager and comprising the general manager assistant, the head of each department and all staff from the administrative department. The primary duties of the anti-corruption committee are to handle and investigate bribery complaints and incidents, keep record of the complaints and make announcement of its findings. We have set up a telephone reporting hotline and an email address for our employees to report any violation of our anti-corruption policies.

All of our employees shall conduct monthly self-evaluation based on our anti-corruption policies and report to the anti-corruption committee of any violation or difficulty in their compliance on the policies. The head of each department shall conduct quarterly departmental anti-corruption compliance check on employees and report any violation in the compliance of the policies to the anti-corruption committee. Employees who have been found to have committed bribery misconduct shall be subject to economic and administrative punishments in accordance with the relevant internal policies. If the misconducts violate the relevant laws, we would report the case to the relevant regulatory authorities and such employees may also face civil or criminal penalties in accordance with the relevant laws.

### **LEGAL COMPLIANCE AND PROCEEDINGS**

We may from time to time become a party to legal, arbitral or administrative proceedings arising in the ordinary course of our business regarding, among other things, infringement on IP rights, unfair competition, product safety and labour disputes. As at the Latest Practicable Date, there were no material litigation or arbitration proceedings pending or, to our knowledge, threatened against our Group that could have a material and adverse impact on our business operations and financial position.

As all of the operations of our Group are in the PRC, we are required to conduct our business in compliance with the relevant PRC laws and regulations. Our Directors confirm that we have complied with all material applicable laws and regulations in the PRC in all material respects such that there was no non-compliance incident the nature of which was material or systemic during the Track Record Period and up to the Latest Practicable Date.

### **Business activities with the Relevant Customer subject to International Sanctions Laws**

Since we had conducted business activities with the Relevant Customer, which is subject to certain international sanctions and trade restrictions (being in the Entity List published by the BIS and the NS-CMIC List), we have engaged King & Wood Mallesons, our legal advisers as to International Sanctions Laws, to review our compliance with International Sanctions Laws and evaluate our sanctions and export control restriction-related risks.

Our business activities with the Relevant Customer include the following:

- (1) sale of ICV simulation testing software;
- (2) joint provision of cloud-based simulation testing solutions for ICVs; and
- (3) provision of ICV testing and related services and advisory services.

During the Track Record Period, our revenue derived from the Relevant Customer was approximately RMB7.7 million, RMB35.5 million, RMB13.1 million and RMB0.5 million, respectively, representing approximately 7.2%, 24.4%, 7.5% and 0.9% of our total revenue, respectively. As at the Latest Practicable Date, the Relevant Customer was subject to the relevant international sanctions and trade restrictions.

In addition, as at the Latest Practicable Date, a fellow subsidiary of the Relevant Customer, which is wholly-owned by the holding company of the Relevant Customer, held 2,830,209 Unlisted Shares, representing 2.1% of the issued share capital of our Company after the Listing (assuming that the Over-allotment Option is not exercised).

### ***The U.S. Export Control Restrictions***

The Relevant Customer has been added to the Entity List in recent years and is subject to the U.S. Export Control Restrictions under the EAR. According to the EAR, the following items will be deemed as items subject to the EAR and the export, re-export or transfer (in-country) of such items to entities listed in the Entity List (including the Relevant Customer) may be subject to the approval of BIS requiring relevant licences:

- (1) all items in the United States, including in a U.S. Foreign Trade Zone or moving in-transit through the United States from one foreign country to another;
- (2) all U.S. origin items wherever located;



- (3) foreign-made commodities that incorporate controlled U.S.-origin commodities, foreign-made commodities that are ‘bundled’ with controlled U.S.-origin software, foreign-made software that is commingled with controlled U.S.-origin software, and foreign-made technology that is commingled with controlled U.S.-origin technology which exceeds certain threshold;
- (4) certain foreign-produced “direct products” of specified “technology” and “software”; and
- (5) certain foreign-produced “direct products” of a complete plant or any major component of a plant.

Our products are solely developed within the PRC but we rely on certain design tools, such as “Axure9”, “Enterprise Architect” and “yEd Graph Editor 3.20.1”, which contain U.S. software and technology during the development process. According to the EAR, if certain U.S. software and technology are essential to the development of a foreign product, the foreign product may be deemed as the direct product of such U.S. software and technology. Thus, our products sold to the Relevant Customer may constitute direct product of U.S. software and technology. However, whether such foreign product is subject to the EAR requiring a licence for export shall be considered under FDP rules, which are part of the specific rules under the EAR.

Not all transactions involving foreign-produced items containing U.S. software and technology are subject to the EAR requiring an export licence. Whether a foreign-produced item is subject to the EAR and is required by the EAR to obtain an export licence from BIS depends on if it falls under both the product scope and the end-user scope as set out in the FDP rules. To determine whether a foreign produced product is subject to the EAR under the product scope, there are two key issues to be considered: (i) whether the “technology” or “software” involved is U.S. origin or subject to the EAR; and (ii) whether the specific ECCN requirement has been satisfied. As for the end-user scope, the end-user refers to the final recipient or user of a product or service, and the end-user scope refers to a range of persons and entities that are subject to certain restrictions on exports and re-exports of the relevant products or services. The end-user scope varies depending on the particular sanctions programme and the specific goods, software, or technology involved, and under certain scenarios, the destination of a foreign produced product is also relevant to determine whether such a foreign-produced item is subject to the EAR. Further, there is a specific exception rule applicable to our product provided by the BIS, which stipulates that when the design tools used for development of our products satisfy the “mass market criteria”, our products would fall outside the specified control scope. The BIS does not provide a definition for “mass market criteria”, but provides a document listing out different requirements for “mass market criteria” to be met, subject to the nature of the technology and software involved, such as certain technologies and software being generally available to the public at retail and designed for installation by the user without further substantial support. According to King & Wood Mallesons, in simple terms, “mass market criteria” under the EAR refer to a set of conditions that certain items must meet to be classified as “mass market products”, which, generally are products widely available to the

general public. The “mass market criteria” are to ensure that widely available products for everyday use are not subject to the same strict export controls as specialised items which could be used for more restricted purposes.

King & Wood Mallesons has reviewed all design tools used for development of our products and determined that (i) the ECCNs of the design tools do not match the specific ECCNs listed under the FDP Rules applicable to the Relevant Customer (i.e. the specific ECCN requirement has not been satisfied)<sup>(Note 1)</sup>, and (ii) the design tools are either not subject to EAR, or are able to satisfy the “mass market criteria” due to the facts that such design tools are widely available for retail purchase by the public, and their technologies, functionalities and uses thereof are of a general nature, not specifically designed for a particular use or user group (i.e. the product is not created with a single purpose or a limited set of users in mind, but instead, the product is made to be usable by a wide range of people for various purposes), and not involving any sensitive technologies or applications. Therefore our products fall outside the specific product scope providing to the specific end-user scope. Thus, although our products sold to the Relevant Customer may constitute direct product of U.S. software and technology, the products fall outside the product scope and end-user scope as set out in the FDP rules, and are not subject to the EAR, and our Group is not required to obtain the export licence from the BIS. Thus, the risk of our Group selling our self-developed software to and providing cloud-based simulation testing solutions to end users as a subcontractor of the Relevant Customer within the PRC being subject to U.S. export control restriction is extremely low.

Further, for the avoidance of doubt, the De Minimis Rule is only applicable when U.S.-origin controlled content of a non-U.S.-made product (i.e. content requiring a licence to be exported and/or re-exported to the product’s destination, and not eligible for a licence exception) exceeds certain specific percentage. As all source of code of our products is developed within the PRC with no U.S.-origin controlled content involved in our products, King & Wood Mallesons confirmed that the De Minimis Rule is not applicable to our products and our Group is not required to file the report concerning U.S. content calculations to the BIS.

*Note:*

- (1) The relevant design tools are “Axure9”, “Visual Studio Code”, “Notepad++ 8.1.2”, “GNU Compiler Collection”, “Sourcetree”, “MobaXterm v22.1”, “Chrome”, “IntelliJ IDEA (服務端)”, “Dbeaver” and “MySQL”, all of which are off-the-shelf softwares.

We will (i) continue to closely monitor our procurement process and design tools used in developing our products to ensure that we will not provide or transfer any products subject to the EAR to entities designated on the Entity List that would result in violation of the export control related restrictions such as the EAR; and (ii) continue to procure our compliance with all the statutory requirements under the EAR.

***U.S. sanction programme***

The Relevant Customer was also designated as a company in the NS-CMIC List. Sanctions under the NS-CMIC List prohibit the purchase or sale by U.S. persons of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of designated entities under the NS-CMIC List, i.e. the Relevant Customer. During the Track Record Period and up to the Latest Practicable Date, since the transactions between our Group and the Relevant Customer are related to software transactions and technical cooperation, which are not related to the prohibition on security transactions, as advised by King & Wood Mallesons, the nature of our business with the Relevant Customer does not fall within the prohibitions above. Separately, the sanctions under the NS-CMIC List do not prohibit the Relevant Customer or its affiliates (including the said fellow subsidiary of the Relevant Customer) from owning securities in our Company. It is in compliance with all relevant laws and regulations that the Relevant Customer or its affiliates own securities in our Company. In light of the foregoing, neither our business relationship with the Relevant Customer nor its fellow subsidiary's ownership of our Unlisted Shares has any adverse impact to our Group as a result of the Relevant Customer being placed on the NS-CMIC List.

Overall, as advised by King & Wood Mallesons, the risk of our business violating any sanction regulations under the U.S. sanction regimes is extremely low. As at the Latest Practicable Date, U.S. export control restrictions and sanction programme on the Relevant Customer and its affiliated entities are not applicable to our ongoing business, and King & Wood Mallesons and the Sole Sponsor are of the view that sanctions in relation to the Relevant Customer had no impact on our business and the Relevant Customer's revenue contribution to our Group during the Track Record Period considering factors above.

***Anti-Foreign Sanctions Law of the PRC***

Generally, the AFSL (i) prescribes in principle that all organisations and individuals within the territory of the PRC shall comply with the countermeasures taken against certain foreign individuals or organisations; and (ii) prohibits any organisation or individual from implementing or assisting in implementing discriminatory and restrictive measures taken by any foreign country against Chinese citizens or organisations.

Given we wholly conduct our business within the PRC and do not engage in business with any foreign entities, the obligation related to countermeasures is not applicable to us. We have never implemented or assisted in implementation of any discriminatory and restrictive measures taken by foreign jurisdictions against Chinese citizens or organisations. Further, our business does not engage with parties that are sanctioned by the PRC government. As advised by King & Wood Mallesons, we are in compliance with the AFSL.

Based on the aforementioned, as advised by King & Wood Mallesons, in view of the business nature, the origin of the key products, the export control rules on the design tools and the identity of the customers of our Group as at the Latest Practicable Date, there is no indication that our business has sanctions risk as identified under Chapter 4.4 (Sanctions Risks)

of the Guide for New Listing Applicants. As advised by King & Wood Mallesons, our business activities with the Relevant Customer did not implicate Primary Sanctioned Activities nor Secondary Sanctionable Activities pursuant to Chapter 4.4 (Sanctions Risks) of the Guide for New Listing Applicants. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any fines or penalties in relation to our business relationship with the Relevant Customer or its fellow subsidiary's ownership of our Unlisted Shares and our Group was not under any investigation or notified of any sanctions that may be imposed against us.

Based on the above and given the scope of the Global Offering and the expected Listing as set out in this prospectus, King & Wood Mallesons is of the view that the involvement by parties in the Global Offering will not impose material risks on such parties, including our Company and our subsidiaries, the respective directors and employees of our Company and our subsidiaries, our Company's or our subsidiaries' shareholders and potential investors as well as the Stock Exchange and its related group companies (including HKSCC and HKSCC Nominees Limited). For details regarding sanctions risks, please refer to "Risk factors – Risks relating to our business and industry – We could be adversely affected by any trade restriction or sanction that may be imposed on our customers and business partners." in this prospectus.

Since our business activities with the Relevant Customer were in compliance with the applicable International Sanctions Laws, we have no intention to cease our business activities with the Relevant Customer. In order to monitor, control or mitigate the risks regarding International Sanctions Laws, we have established a risk control and management committee (comprising Mr. He, Ms. Liang Jun and Dr. Xue Xiaoqing) to ensure, among other things, our compliance with applicable sanction laws. The duties of our risk control and management committee include, among others, (i) supervising and preventing our Group from sanction- and export control-related risks by implementing certain internal control measures to ensure the compliance of our business operations with sanction laws and regulations; (ii) appointing risks control staff to conduct risk control and management; (iii) preparing risks control report to the Board for review; (iv) assessing the potential sanction risks of business activities to be conducted by reviewing commercial contracts and information received in business activities and adding specific terms and conditions in our commercial contracts for counterparties' compliance with applicable sanction laws and regulations as appropriate; (v) engaging an external sanctions expert or legal advisers to provide updates to us from time to time on latest information on the relevant sanction laws and regulations; and (vi) arranging for external international sanctions legal advisers to provide training programmes relating to sanction laws and trade restrictions to our Directors, senior management and other relevant personnel as and when appropriate.

King & Wood Mallesons is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanction laws. Having taken into account King & Wood Mallesons's advice above, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us.

### Our potential legal obligations in respect of our products

Our simulation and analytical tools (e.g. *Sim Pro* and *Safety Pro*) only test the intelligent driving algorithms and their related key components of the customers instead of the whole vehicles.

As advised by our PRC Legal Advisers, if there are any malfunction and deficiency of our simulation and analytical tools which lead to our failure to identify faults in the algorithms and their related key components, we may be subject to liabilities for breach of contract in accordance with the contracts signed between the parties or the Civil Code of the PRC\* (中華人民共和國民法典) (the “**Civil Code**”). Other than such liabilities for breach of contract, as at the Latest Practicable Date, relevant laws and regulations in the PRC do not prescribe any administrative penalties or legal liabilities for the failure of testing solutions providers such as our Group to identify faults in the algorithms and related key components of their customers.

Subject to item 4 of Article VII of the MIIT Opinions, it is required that automotive products shall meet the requirements of simulation test and be able to avoid foreseeable and preventable safety accidents under the designed operating conditions. This item only imposes requirements for automotive products, without specific requirements for testing solutions providers.

If our simulation and analytical tools, e.g. *Sim Pro* or *Safety Pro*, fail to accurately identify potential hazards in the intelligent driving algorithms and their related key components to avoid foreseeable and preventable safety accidents, we may be exposed to the relevant civil liabilities in accordance with the contracts between the parties. As advised by our PRC Legal Advisers, if we breach relevant contract or the competent judicial authority holds that we are liable, while the liabilities for breach of contract are not specified in the contracts, we may, depending on the judgement or decision of the competent judicial authority, bear the liability in accordance with the Civil Code, including but not limited to reduction of price or remuneration, compensation for loss, the repair, rework, replacement and other remedial measures. For more details of the relevant risks involved, please refer to “Risk factors – Risks relating to our business and industry – We rely heavily on our self-developed core technologies *Sim Pro* and *Safety Pro* and their market recognition for providing customised products and services, the technologies of which will be subject to defects, constant changes, upgrades and potentially, security breaches or unauthorised control.” in this prospectus.

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, during the Track Record Period and up to the Latest Practicable Date, there was no incidents of malfunction or deficiency of our simulation and analytical tools which led to failure in identifying faults in the algorithms and their related key components of our customers.

**LICENCES AND PERMITS**

Our Directors confirm, and our PRC Legal Advisers concur, that as at the Latest Practicable Date, we have obtained all requisite licences and permits from relevant PRC authorities that are material to our current principal business operations. Our Directors confirm that we did not experience any material difficulty in obtaining or renewing our required permits and licences for our business operations during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we do not expect any material impediment in renewing our material permits and licences as and when they expire in the future.

The table below sets forth one major licence of our Group as at the Latest Practicable Date:

<b>Licence/permit</b>	<b>Issuing authority</b>	<b>Holder</b>	<b>Issuing date</b>	<b>Expiry date</b>
Operation Certificate for Civil Unmanned Aerial Vehicle* (民用無人駕駛航空器運營合格證)	Civil Aviation Administration of China (中國民用航空局)	Zhejiang Fly	5 July 2024	After 2 years

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## CONNECTED TRANSACTION

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Prior to Listing, we have entered into certain transaction with our connected person which is expected to continue on an on-going basis and will constitute continuing connected transaction under Chapter 14A of the Listing Rules upon Listing. Details of such continuing connected transaction is set out as follows:

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the highest applicable percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be fulfilling one or more of the full exemption requirements under Rule 14A.76(1) of the Listing Rules on an annual basis. By virtue of Rule 14A.76(1) of the Listing Rules, the transaction will be fully exempt from the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### Property Management Agreement

##### *Parties*

- (a) Our Company (as service recipient); and
- (b) Beijing Saidi Property Management Co., Ltd\* (北京賽迪物業管理有限公司) (“**Saidi Property Management**”) (as service provider), which is a subsidiary of a fellow subsidiary of the holding company of Saidi Testing, a substantial Shareholder of our Company, and is therefore a connected person of our Company.

##### *Principal terms and pricing basis*

Our Company (as service recipient) and Saidi Property Management (as service provider) generally enter into property management agreements in respect of our registered office located at Saidi Building, 66 Zi Zhu Yuan Road, Haidian District, Beijing, the PRC\* (中國北京市海澱區紫竹院路66號賽迪大廈) on an annual basis.

In November 2024, our Company and Saidi Property Management entered into a property management agreement (“**Property Management Agreement**”) for a term of 1 year from 1 January 2024 to 31 December 2024 pursuant to which Saidi Property Management agreed to provide property management services to our registered office. The property management services include maintenance, repair and management of public areas and public facilities; operation of public facilities; safety monitoring and security work in public area; hygiene maintenance in public area and vehicles parking. The amount of property management fee was determined based on the gross floor area covered and the unit price of property management fee per each sq.m. of the gross floor area covered after arm's length negotiation with reference to historical transaction amounts and prevailing market price for similar services (taking into account the location, size and condition of the properties).



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## CONNECTED TRANSACTION

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On the assumption that there is no change of the gross floor area of our registered office and an annual increase of not more than 10% on the unit price, our Directors estimate that the annual fee payable by our Company pursuant to the property management agreement for the three years ending 31 December 2024, 2025 and 2026 will not exceed RMB30,000, RMB33,000 and RMB37,000, respectively. Each of the highest applicable percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be less than 0.1% on an annual basis, fulfilling the full exemption requirement under Rule 14A.76(1)(a) of the Listing Rules.

### ***Reasons for and benefits of the transaction***

Saidi Property Management is specialised in property management and has been providing property management services for property tenants in Saidi Building\* (賽迪大廈), where our registered office is located at, since the Management Group joined our Company. Further, tenants in Saidi Building can only engage Saidi Property Management for property management services for their properties in this building. Our Directors are of the view that it is in the best interest of our Group and our Shareholders for our Group to continue to engage Saidi Property Management to manage our registered office after the Listing.

### ***Historical amount***

During the Track Record Period, the transaction amounts in relation to the property management services provided by Saidi Property Management to our Company were approximately RMB28,000, RMB28,000, RMB28,000 and RMB14,000, respectively.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Space Technology was wholly-owned by the Management Group as to approximately 64.1%, 25.6% and 10.3% by Mr. Hu, Ms. Ma and Mr. He, respectively; and Tongda, being the Employee Incentive Platform, of which Mr. Hu is the executive partner responsible for representing Tongda and executing the partnership affairs, including exercising Tongda's shareholder rights in its invested enterprises and assuming the relevant civil obligations and liabilities in accordance with the PRC laws, was owned as to approximately 50.0%, 44.1%, 2.1% and 3.8% by Mr. Hu, Mr. He, Ms. Ma and 14 other employees of our Group, respectively. By virtue of the Concert Party Agreement as described below, Space Technology and Tongda are collectively interested in approximately 45.5% of the total issued share capital of our Company as at the Latest Practicable Date.

Space Technology is an investment holding company and does not have any business operation apart from being one of the Shareholders of our Company. Tongda serves as the Employee Incentive Platform for implementing the Employee Incentive Scheme and does not have any business operation apart from being one of the Shareholders of our Company. Space Technology and Tongda have been acting in concert with each other since Tongda has become a Shareholder of our Company and will continue to act in the same manner after the Listing. In order to formalise the voting arrangement between Space Technology and Tongda, Space Technology and Tongda entered into the Concert Party Agreement on 8 October 2021, pursuant to which Tongda has acknowledged and confirmed that it has undertaken, among other things, to unilaterally follow the voting instructions of Space Technology to exercise its voting power and vote unanimously at the shareholders' meeting of our Company for so long as Tongda has been/is a Shareholder of our Company. Please refer to "History, development and corporate structure – Our corporate history and development – Employee Incentive Scheme – Acting in concert arrangement" in this prospectus for further details.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Space Technology and Tongda will be collectively interested in approximately 34.1% of the total issued share capital of our Company. Accordingly, Mr. Hu, Ms. Ma and Mr. He, together through Space Technology and Tongda, will together continue to control more than 30% of the total issued share capital of our Company. As such, Space Technology, Tongda, Mr. Hu, Ms. Ma and Mr. He, will together form a group of Controlling Shareholders upon the Listing.

Mr. Hu, Ms. Ma and Mr. He, being the members of the Management Group, are also our executive Directors. Please refer to "Directors, Supervisors and senior management" in this prospectus for further details.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are capable of carrying out our business independently from, and do not place reliance on, our Controlling Shareholders and their respective close associates after the Listing.

#### **Operational independence**

We have established our own organisational structure with individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as marketing and sales and general administration resources, with our Controlling Shareholders and/or their respective close associates. We have independent access to customers and suppliers, as well as an independent management team to handle our day-to-day operations. We hold all the relevant material IPs necessary for operating our business and have sufficient capital, equipment, facilities and employees to operate our business and operations independently of our Controlling Shareholders. There was no business transaction between our Group and our Controlling Shareholders and/or their respective close associates during the Track Record Period.

Having considered the above, our Directors consider that our Group will be able to operate independently from our Controlling Shareholders and their respective close associates after the Listing.

#### **Management independence**

Apart from the Management Group, we have an independent management team with extensive experience and expertise in our business. Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors are of the view that our Board and management team are able to manage our business independently from the Controlling Shareholders and their close associates for the following reasons:

- Our daily operational and management activities are made collectively by our executive Directors and our management team.
- Each Director is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest.
- In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors and/or their respective close associates, the interested Director(s) and his/her/their respective close associates shall abstain from voting at the relevant board meetings of our Company in respect of such transactions.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- Our independent non-executive Directors have been appointed in compliance with the requirements under the Listing Rules to ensure that the decisions of our Board will be made only after due and careful consideration of independent and impartial opinions. Our Directors believe that the presence of independent non-executive Directors provides a balance of views and opinions and will bring independent judgement to the decision-making process of the Board.
- Members of our management team, other than members of the Management Group, are independent from our Controlling Shareholders and their respective close associates. They have relevant industry expertise and substantial experience to implement our Group's policies and strategies and can discharge their duties independently.

Having considered the above factors, our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after the Listing.

### **Financial independence**

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group, which is independent from our Controlling Shareholders and their respective close associates. We are able to make financial decisions independent from our Controlling Shareholders and their respective close associates, and they do not intervene with our use of funds.

Our Directors believe that we have sufficient capital to operate our business independently. During the Track Record Period, our Group primarily relied on cash generated from operations and proceeds from the capital increase by our Shareholders to carry on our business. We believe we will continue to have sufficient capital to operate our business independently and have adequate internal resources and a strong credit profile to obtain financing from Independent Third Parties to support our daily operations without reliance on our Controlling Shareholders or their respective close associates after the Listing. Our source of funds was independent from our Controlling Shareholders and neither our Controlling Shareholders nor any of their respective close associates financed our operations during the Track Record Period. As at the Latest Practicable Date, there were no existing loans, guarantees or pledges provided by our Controlling Shareholders and/or their respective close associates to our Group. We have adopted a set of internal control procedures for cash receipts and payment and have independent access to third party financing. We have also established an audit committee comprising our three independent non-executive Directors in compliance with Rule 3.13 of the Listing Rules.

Having considered the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates after Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### RULE 8.10 OF THE LISTING RULES

As at the Latest Practicable Date, neither our Controlling Shareholders, nor our Directors, nor their respective close associates had any interest in a business apart from our Group's business which competes, or is likely to compete, directly or indirectly, with our Group's business that would require disclosure under Rule 8.10 of the Listing Rules.

### NON-COMPETITION UNDERTAKINGS

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. In order to ensure that our Controlling Shareholders will not engage in any business undertaking in competition with our Group in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for each of the members of our Group from time to time) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

Each of our Controlling Shareholders (the “**Covenantors**”) has undertaken to us in the Deed of Non-Competition that he/she/it shall, among others, at any time during the Relevant Period (as defined below):

- (i) save for engaging in the Restricted Business (as defined below) through our Group, not, directly or indirectly, and shall procure that his/her/its close associates (other than our Group) shall not carry on, invest, participate or be engaged, involved, concerned or interested, directly or indirectly, in any business which competes or may compete, directly or indirectly, with the Restricted Business; and
- (ii) promptly provide our Company with any relevant information in respect of any new business opportunity (“**New Business Opportunity**”) which competes or may compete with the Restricted Business or future business of our Group of which he/she/it or his/her/its close associates may have knowledge, for the independent non-executive Directors to review and decide whether our Group shall take up such New Business Opportunity by considering, among other things, whether (i) such New Business Opportunity would constitute competition with the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Business Opportunity taking into account factors such as the nature of such New Business Opportunity and the estimated costs of investing in or acquiring such New Business Opportunity; and shall give our Company an option exercisable by our Company within 30 days upon receipt of the written notification of relevant information, to take up such New Business Opportunity; and he/she/it and/or his/her/its close associates may only take up such New Business Opportunity after our independent non-executive Directors have separately reviewed and decided that our Group should decline such New Business Opportunity.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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For the above purposes:

- (i) “**Restricted Business**” means the business engaged by our Group from time to time including business of providing ICV simulation testing software and platforms, ICV data platforms and other products, ICV testing and related services, advisory and other services as well as other business that applies our technologies, such as drones, digital city twin and intelligent agriculture, etc.; and
- (ii) “**Relevant Period**” means the period commencing from the Listing Date and expiring on the earlier of the dates below:
  - (a) the date on which the H Shares cease to be listed on the Stock Exchange;
  - (b) the date on which the Covenantors and their respective close associates, taken together, whether directly or indirectly, cease to be our Controlling Shareholders or the single largest Shareholder for the purposes of the Listing Rules; and
  - (c) the date on which our Group ceases to engage in the Restricted Business.

Pursuant to the Deed of Non-Competition, each of the Covenantors has also unconditionally and irrevocably granted to our Company (for itself and as trustee for each of the members of our Group from time to time) the options during the Relevant Period to purchase any interest in any business of the relevant Covenantor or his/her/its close associates resulting from a New Business Opportunity which has been offered to us, but has not been purchased by us, and has been taken up and retained by the relevant Covenantor or his/her/its close associates.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from holding our Shares, or other securities in us listed on the Stock Exchange; and/or acquiring a direct or indirect shareholding interest of not more than 5% in a company listed on any stock exchange anywhere in the world and engaged in any Restricted Business.

Each of our Controlling Shareholders has undertaken under the Deed of Non-Competition that it shall provide to us and our Directors from time to time (including our independent non-executive Directors) with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition by our Controlling Shareholders and the enforcement of the non-competition undertakings. Each of our Controlling Shareholders has also undertaken to cause our Company to disclose to the public, either in our annual report or announcement, any decisions taken by our independent non-executive Directors in connection with the review of the compliance with and enforcement of the terms of the Deed of Non-Competition and make an annual declaration as to compliance with the terms of the Deed of Non-Competition in our annual report if appropriate. Further, each of our Controlling Shareholders has undertaken to fully and effectively compensate our Company for any losses, liabilities, damages, costs, fees and expenses arising out of any breach by our Controlling Shareholder of any representation, warranty or undertaking made under the Deed of Non-Competition during the Relevant Period.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The Deed of Non-Competition and the rights and obligations thereunder are conditional upon the Global Offering becoming unconditional.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest;
- (c) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders;
- (d) our Company has appointed CEB International as our Compliance Adviser, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control;
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions which have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (f) each of our Controlling Shareholders will make an annual confirmation as to compliance with its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (g) in the event that our independent non-executive Directors shall review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (h) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition.

Based on the above, our Directors consider that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders to protect minority Shareholders' interests after the Listing.

## SUBSTANTIAL SHAREHOLDERS

To the best of our Directors' knowledge and information, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Capacity/ Nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming that the Over- allotment Option is not exercised)		
		Number and description of Shares (L) <sup>(Note 1)</sup>	Approximate percentage of shareholding	Number and description of Shares (L) <sup>(Note 1)</sup>	Approximate percentage of shareholding in the Unlisted Shares	Approximate percentage of shareholding in the total issued Shares of our Company
Space Technology <sup>(Note 2)</sup>	Beneficial interest	30,169,382 Unlisted Shares	30.2%	30,169,382 Unlisted Shares	30.2%	22.6%
	Interest of person acting in concert	15,271,805 Unlisted Shares	15.3%	15,271,805 Unlisted Shares	15.3%	11.5%
Tongda <sup>(Note 2)</sup>	Beneficial interest	15,271,805 Unlisted Shares	15.3%	15,271,805 Unlisted Shares	15.3%	11.5%
	Interest of person acting in concert	30,169,382 Unlisted Shares	30.2%	30,169,382 Unlisted Shares	30.2%	22.6%
Saidi Testing <sup>(Note 3)</sup>	Beneficial interest	28,067,104 Unlisted Shares	28.1%	28,067,104 Unlisted Shares	28.1%	21.1%
Saidi Group <sup>(Note 3)</sup>	Interest in controlled corporations	28,067,104 Unlisted Shares	28.1%	28,067,104 Unlisted Shares	28.1%	21.1%
CSTC <sup>(Note 3)</sup>	Interest in controlled corporations	28,067,104 Unlisted Shares	28.1%	28,067,104 Unlisted Shares	28.1%	21.1%
CCID <sup>(Note 3)</sup>	Interest in controlled corporations	28,067,104 Unlisted Shares	28.1%	28,067,104 Unlisted Shares	28.1%	21.1%



## SUBSTANTIAL SHAREHOLDERS

Name	Capacity/ Nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming that the Over- allotment Option is not exercised)		
		Number and description of Shares (L) <sup>(Note 1)</sup>	Approximate percentage of shareholding	Number and description of Shares (L) <sup>(Note 1)</sup>	Approximate percentage of shareholding in the Unlisted Shares	Approximate percentage of shareholding in the total issued Shares of our Company
Mr. Hu <sup>(Notes 4 and 6)</sup>	Interest in controlled corporations	45,441,187 Unlisted Shares	45.4%	45,441,187 Unlisted Shares	45.4%	34.1%
Ms. Wang Yishuang (王依爽) <sup>(Note 5)</sup>	Interest of spouse	45,441,187 Unlisted Shares	45.4%	45,441,187 Unlisted Shares	45.4%	34.1%
Mr. He <sup>(Note 6)</sup>	Interest in controlled corporations	45,441,187 Unlisted Shares	45.4%	45,441,187 Unlisted Shares	45.4%	34.1%
Ms. Jin Li (金利) <sup>(Note 7)</sup>	Interest of spouse	45,441,187 Unlisted Shares	45.4%	45,441,187 Unlisted Shares	45.4%	34.1%

*Notes:*

- (1) The letter (L) denotes the person's long position in the Shares.
- (2) Space Technology and Tongda entered into the Concert Party Agreement, pursuant to which Tongda has acknowledged and confirmed that it has undertaken, among other things, to unilaterally follow the voting instructions of Space Technology to exercise its voting power and vote unanimously at the Shareholders' meeting of our Company for so long as Tongda has been/is a Shareholder of our Company. Therefore, under the SFO, in addition to their respective direct beneficial interests, each of Space Technology and Tongda is also deemed to be interested in the interest of the other concert party.
- (3) Saidi Testing is owned as to 100.0% by Saidi Group, which is owned as to 50.0% by each of CSTC and CCID. By virtue of the SFO, each of Saidi Group, CSTC and CCID is deemed to be interested in the Shares held by Saidi Testing.
- (4) Space Technology is owned by the Management Group as to 64.1% by Mr. Hu, 25.6% by Ms. Ma and 10.3% by Mr. He. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Space Technology.
- (5) Ms. Wang Yishuang is the spouse of Mr. Hu. By virtue of the SFO, Ms. Wang Yishuang is deemed to be interested in the Shares in which Mr. Hu is interested.
- (6) Tongda is a limited partnership established in the PRC which serves as our Employee Incentive Platform for implementing our Employee Incentive Scheme. As at the Latest Practicable Date, Tongda was owned as to approximately 50.0% partnership interest by the executive partner, Mr. Hu, and approximately 44.1%, 2.1% and 3.8% partnership interest by the limited partners, Mr. He, Ms. Ma and other 14 employees of our Group, respectively. By virtue of the SFO, each of Mr. Hu and Mr. He is deemed to be interested in the Shares held by Tongda.
- (7) Ms. Jin Li is the spouse of Mr. He. By virtue of the SFO, Ms. Jin Li is deemed to be interested in the Shares in which Mr. He is interested.

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## SUBSTANTIAL SHAREHOLDERS

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For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, please refer to “C. Further information about our Directors, Supervisors and substantial Shareholders – 2. Substantial Shareholders – (b) Interests in the substantial Shareholders of other members of our Group” in Appendix VI to this prospectus.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

As at the Latest Practicable Date, our Directors were not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board currently consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The following table sets forth certain information with respect to our Directors as at the Latest Practicable Date:

#### Members of our Board:

Name	Age	Title/Position	Date of joining our Group	Date of appointment as Director	Role and responsibilities in our Group	Relationship with other Directors, Supervisors and senior management
Mr. Hu Dalin (胡大林)	45	Chairman of the Board and Executive Director	12 October 2018	12 October 2018	Responsible for overseeing the day-to-day operations and overall business strategy and planning of our Group	None
Mr. He Feng (何豐)	46	Executive Director, General Manager and Board Secretary	12 October 2018	12 October 2018	Responsible for overseeing the day-to-day operations of our Group	None
Ms. Ma Lei (馬蕾)	57	Executive Director and Deputy General Manager	12 October 2018	12 October 2018	Responsible for handling public relations and overseeing the day-to-day operations of our Group	None
Dr. Kan Zhigang (闕志剛)	54	Non-executive Director	24 January 2014	24 January 2014	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None
Dr. Yao Xiang (姚翔)	43	Non-executive Director	16 January 2018	16 January 2018	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Title/Position	Date of joining our Group	Date of appointment as Director	Role and responsibilities in our Group	Relationship with other Directors, Supervisors and senior management
Ms. Gong Xiao (鞏瀟)	39	Non-executive Director	28 February 2022	28 February 2022	Responsible for providing guidance and advice on the corporate and business strategies to the Board	None
Ms. Guo Lili (郭莉莉)	61	Independent Non-executive Director	16 October 2022	16 October 2022	Responsible for supervising and providing independent advice to the Board	None
Mr. Huang Hua (黃華)	49	Independent Non-executive Director	16 October 2022	16 October 2022	Responsible for supervising and providing independent advice to the Board	None
Mr. Wong Ho Kwan (黃浩鈞)	49	Independent Non-executive Director	16 October 2022	16 October 2022	Responsible for supervising and providing independent advice to the Board	None

### Executive Directors

**Mr. Hu Dalin (胡大林)**, aged 45, was appointed as our Director in October 2018 and subsequently, has been appointed as chairman of the Board of our Company since December 2019. He has been reclassified as our executive Director since December 2022. He is primarily responsible for overseeing the day-to-day operations and overall business strategy and planning of our Group.

Mr. Hu has extensive experience in industrial software development and design. Mr. Hu joined Beijing Yuanxin Xingye Technology Co., Ltd.\* (北京遠新興業科技有限公司), a company which engages in the design and development of industrial appliances and software, in November 2010 as a supervisor and was appointed as the executive director and general manager from January 2011 to July 2017. Mr. Hu is a member of the Management Group, together with other members of the Management Group, commenced the R&D of our proprietary core technologies and testing tools, including the predecessor of *Sim Pro* in mid-2017 and subsequently commenced our ICV testing-related business. Mr. Hu served as the general manager of our Company from December 2018 to December 2019 where he was responsible for daily operations and management of our Company as well as product planning.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Hu graduated from Beijing Institute of Technology (北京理工大學) with a bachelor's degree in ammunition engineering and explosive technology in July 2001.

**Mr. He Feng (何豐)**, aged 46, was appointed as our Director in October 2018 and our general manager since December 2019. He has been appointed as Board secretary since October 2022 and has been reclassified as our executive Director since December 2022. He is primarily responsible for overseeing the day-to-day operations of our Group.

Mr. He has extensive experience in the R&D of testing, validation and evaluation system. Mr. He joined Beijing Yuanxi Technology Company Limited\* (北京遠西科技有限公司), a company engages in the technological development of mechanical and vehicle appliances, in June 2009 as the technical director where he was responsible for product design and development and was appointed as the general manager from April 2017 to September 2019 where he was responsible for strategic planning and the day-to-day operations of the company. Mr. He is a member of the Management Group, together with other members of the Management Group, commenced our ICV testing-related business. Mr. He was appointed as our chief operating officer from December 2018 to December 2019 where he was mainly in charge of the R&D of ICV simulation testing solutions.

Mr. He graduated from Beijing Institute of Technology (北京理工大學) with a bachelor's degree in mechanical and electrical engineering in July 2000.

Mr. He was a supervisor of Changchun Yisi Information Consulting Co., Ltd.\* (長春逸思信息諮詢有限公司), a limited liability company established in the PRC engaged in the business of provision of commercial services, which was dissolved as its business licence was revoked by Changchun Administration Bureau for Industry and Commerce Nanguan Branch\* (長春市工商行政管理局南關分局) on 18 March 2010 due to its cessation of business, as confirmed by Mr. He. Mr. He confirmed that, Changchun Yisi Information Consulting Co., Ltd.\* (長春逸思信息諮詢有限公司) was solvent at the time of dissolution, no claims had been made against him and he was not aware of any threatened and/or potential claims made against him as a result of the dissolution of the company.

**Ms. Ma Lei (馬蕾)**, aged 57, was appointed as our Director in October 2018. She has been appointed as deputy general manager since October 2022 and has been reclassified as our executive Director since December 2022. She is primarily responsible for handling public relations and overseeing the day-to-day operations of our Group.

Ms. Ma has extensive experience in the technology-related industry (including experience in public relations). Prior to joining our Group, Ms. Ma served as the manager of planning department at Shanghai Microtek Technology Co., Ltd.\* (上海中晶科技有限公司) from February 1995 to May 2001 where the company specialises in, among other things, the manufacturing and sales of computer hardware, software and peripheral equipment. From September 2005 to May 2012, Ms. Ma joined and served as the secretary-general of Beijing Informatization Association (北京信息化協會) where the association specialises in, among other things, industry research and consulting services. From June 2012 to February 2015, Ms.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ma served as the general manager of Beijing Jiuzhou Jin Xiu Technology Cultural Development Company Limited\* (北京九州錦繡科技文化發展有限公司) where the company organises cultural and artistic exchange activities and specialises in technological development. Ms. Ma was the general manager of Beijing Didao Fengwu Technology Co., Ltd\* (北京地道風物科技有限公司) where she served as the deputy general manager from April 2015 to June 2018 and was in charge of public relations and government matter. Ms. Ma is a member of the Management Group, together with other members of the Management Group, commenced our ICV testing-related business. Ms. Ma also served as our vice president of public relations from December 2021 to October 2022.

Ms. Ma graduated from Capital Normal University (首都師範大學) in the PRC in July 1992 and obtained a college graduate certificate majoring in library and information studies.

### Non-executive Directors

**Dr. Kan Zhigang (闕志剛)**, aged 54, was appointed as our Director in January 2014 and has been subsequently reclassified as our non-executive Director since December 2022. He is primarily responsible for providing guidance and advice on the corporate and business strategies to the Board.

Dr. Kan has over 11 years of experience in software development. Prior to joining our Group, Dr. Kan worked at Nokia (China) Investment Co., Ltd. from May 2001 to November 2007 where he last served as a software manager. In December 2007, Dr. Kan joined Symantec Software (Beijing) Co., Ltd where he last served as the development director. Dr. Kan founded Beijing Bang Bang (being a shareholder of our Company) in June 2010 and has been a director and the chief executive officer of Beijing Bang Bang since June 2010.

Dr. Kan obtained a doctorate degree in computer science and technology in Beihang University (北京航空航天大學) in January 2002.

Dr. Kan was the general manager of Beijing Fengshang Science and Trade Co., Ltd.\* (北京風上行科貿有限公司), a limited liability company established in the PRC engaged in the business of provision of technology services, which was dissolved as its business licence was revoked by Beijing Administration Bureau for Industry and Commerce Haidian Branch\* (北京市工商行政管理局海淀分局) on 24 January 2008 due to its cessation of business, as confirmed by Dr. Kan. Dr. Kan confirmed that, Beijing Fengshang Science and Trade Co., Ltd.\* (北京風上行科貿有限公司) was solvent at the time of dissolution, no claims had been made against him and he was not aware of any threatened and/or potential claims made against him as a result of the dissolution of the company.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Dr. Yao Xiang (姚翔)**, aged 43, was appointed as our Director in March 2018 and has been subsequently reclassified as our non-executive Director since December 2022. He is primarily responsible for providing guidance and advice on the corporate and business strategies to the Board.

Dr. Yao has over 10 years of experience in the IT industry. From July 2013 to May 2018, Dr. Yao worked at the strategic studies and platform operation management division of CSTC as a senior consultant where he was responsible for strategic planning research in IT-related fields. Subsequently from June 2018 to April 2021, Dr. Yao worked at the CCID as a cadre of the operation and management division, where he was responsible for foreign investment management. Since April 2021, he has been promoted to the position of deputy director of the operation and management division where he is also responsible for foreign investment management.

Dr. Yao graduated from Shanxi Normal University (山西師範大學) with a bachelor's degree in public service administration in July 2006. He obtained a master postgraduate degree at Beijing Normal University (北京師範大學) majoring in educational economics and management in July 2009. Dr. Yao graduated as a doctoral student in management science and engineering from University of Chinese Academy of Sciences (中國科學院大學) in July 2013.

**Ms. Gong Xiao (鞏瀟)**, aged 39, was appointed as our Director in February 2022 and has been subsequently reclassified as our non-executive Director since December 2022. She is primarily responsible for providing guidance and advice on the corporate and business strategies to the Board.

Ms. Gong has over nine years of experience in testing and evaluation engineering. Ms. Gong had worked and held positions in various entities of the CSTC starting from April 2014, including the Beijing Saidi Industrial Control System Evaluation Engineering Technology Centre Co., Ltd.\* (北京賽迪工業控制系統評測工程技術中心有限公司) and the Beijing Saidi Robot Evaluation Engineering Technology Centre Co., Ltd.\* (北京賽迪機器人測評工程技術中心有限公司). From March 2017 to November 2021, Ms. Gong worked at Beijing Saidi Robot Evaluation Engineering Technology Centre Co., Ltd.\* (北京賽迪機器人測評工程技術中心有限公司) of CSTC where she last served as the general manager and was responsible for robot inspection and certification-related business matters. Since November 2021, she has been the general manager of the ICV Evaluation Engineering Technology Centre\* (智能網聯汽車測評工程技術中心) of the CSTC and the Robot and Intelligent Equipment Evaluation Engineering Technology Centre\* (機器人與智能裝備測評工程技術中心) of the CSTC, where she is responsible for intelligent automotive, robot inspection and certification business matters.

Ms. Gong graduated from University of Science and Technology Beijing (北京科技大學) with a master postgraduate degree in electronic science and technology in January 2011. Ms. Gong was recognised as an intermediate software tester and a senior IT project management professional by Beijing Municipal Human Resources and Social Security Bureau in April and May 2015 respectively. She was also recognised as a junior information security level assessor by Zhongguancun Information Security Evaluation Alliance\* (中關村信息安全測評聯盟) in January 2016.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### Independent non-executive Directors

**Ms. Guo Lili (郭莉莉)**, aged 61, has been appointed as an independent Director since October 2022 and has been further reclassified as our independent non-executive Director since December 2022. She is primarily responsible for supervising and providing independent advice to the Board.

Ms. Guo has extensive experience in accounting and auditing. Since June 2014, Ms. Guo joined WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) where the company provides accounting, auditing and tax services.

Ms. Guo was an independent director of Beijing Sinnet Technology Co., Ltd (北京光環新網科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300383)) between January 2016 and May 2022. She has been an independent director of Baoding Lucky Innovative Materials Co., Ltd (保定樂凱新材股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300446)) since March 2017, an independent director of TES Touch Embedded Solutions (Xiamen) Co., Ltd. (宸展光電(廈門)股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 003019)) since May 2021, and an independent director of Hebei Huatong Wires & Cables Group Co., Ltd (河北華通線纜集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 605196)) since August 2021.

Ms. Guo graduated from Beihang University (北京航空航天大學) with a college degree in industrial management engineering in December 1989. Ms. Guo was qualified as a certified public accountant as awarded by Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in June 1998 and she was admitted as a member of the Institute of Public Accountants, Australia in November 2012.

Ms. Guo was a supervisor of Beijing Hongli Jiahe Financial Consulting Co., Ltd.\* (北京宏立嘉和財務諮詢有限公司), a limited liability company established in the PRC engaged in the business of provision of accounting services, which was dissolved as its business licence was revoked by Beijing Administration Bureau for Industry and Commerce Chaoyang Branch\* (北京市工商行政管理局朝陽分局) on 17 November 2006 due to its cessation of business, as confirmed by Ms. Guo. Ms. Guo confirmed that, Beijing Hongli Jiahe Financial Consulting Co., Ltd.\* (北京宏立嘉和財務諮詢有限公司) was solvent at the time of dissolution, no claims had been made against her and she was not aware of any threatened and/or potential claims made against her as a result of the dissolution of the company.

**Mr. Huang Hua (黃華)**, aged 49, has been appointed as an independent Director since October 2022 and has been further reclassified as an independent non-executive Director since December 2022. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Huang has over 11 years of experience in the education industry. Prior to July 2020 when Mr. Huang began and has since been working as a professor at the School of Artificial Intelligence of Beijing Normal University (北京師範大學), which aims to train students to be experts of research and application on information science and technology, he worked as a professor at Beijing Institute of Technology (北京理工大學).



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Huang graduated with a bachelor's degree in information and control engineering in Xi'an Jiaotong University in July 1996. He obtained a master degree and a doctoral degree in information and communication engineering from Xi'an Jiaotong University in September 2001 and May 2006 respectively.

**Mr. Wong Ho Kwan (黃浩鈞)**, aged 49, he has been appointed as an independent Director since October 2022 and has been further reclassified as an independent non-executive Director since December 2022. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Wong has over 25 years of experience in accounting and finance. Mr. Wong started his career as an associate in PricewaterhouseCoopers in September 1998 and was promoted to senior associate in July 2000 until October 2001. He then served as an officer in the group management services of Hutchison International Limited from February 2002 to August 2002 where the company invests in, among other things, port, energy, infrastructure and telecommunication businesses. From November 2002 to September 2005, Mr. Wong worked at KPMG where he last served as an assistant manager. Mr. Wong then served as a qualified accountant and company secretary of AAC Technologies Holdings Inc (formerly known as AAC Acoustic Technologies Holdings Inc.) (a company listed on the Stock Exchange (stock code: 2018)) and engages in manufacture and distribution of miniaturised acoustic components from October 2006 to May 2007. Before joining ECO Environmental Investment Limited, a subsidiary of The Hong Kong and China Gas Company Limited from September 2012 to April 2020 where he last served as vice president of treasury, Mr. Wong was a senior manager of market intelligence and operation analysis in GCL-Poly Energy Holdings Limited (a company listed on the Stock Exchange (stock code: 3800)), a green energy supplier in October 2010. Prior to joining Karrie International Holdings Limited (a company listed on the Stock Exchange (stock code: 1050)), Mr. Wong was a director and general manager of ECO Zhuoxin (Shanghai) Financial Leasing Company Limited\* (易高卓新(上海)融資租賃有限公司) in August 2019. Since April 2020, Mr. Wong has been serving as the chief financial officer of Karrie International Holdings Limited.

Mr. Wong obtained a bachelor of arts (honours) in accountancy from the City University of Hong Kong in November 1998 and a master's degree in business administration from Nanjing University (南京大學) in March 2012. He was accredited as an associate by the Hong Kong Society of Accountants in January 2002 and a certified internal auditor by the Institute of Internal Auditor in May 2004.

### SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three members, including two Supervisors appointed by shareholders' general meetings and one employee representative Supervisor, elected at employee representative meetings. Our Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of our Company and overseeing the financial, internal control and risk conditions of our Company. Our Supervisors serve a term of three years and may be re-elected for successive reappointments.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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The following table sets out certain information in respect of our Supervisors.

Name	Age	Title	Date of joining our Group	Date of appointment as Supervisor	Role and responsibilities in our Group	Relationship with other Directors, Supervisors and senior management
Dr. Cao Gang (曹崗)	49	Chairman of the Supervisory Committee	15 May 2020	16 October 2022	Responsible for presiding over the work of the supervisory committee and supervising our Board and senior management and overseeing our operations	None
Mr. Ni Jie (倪捷)	55	Shareholder representative Supervisor	25 August 2015	25 August 2015	Responsible for supervising our Board and senior management and overseeing our operations	None
Ms. Xue Na (薛娜)	45	Employee representative Supervisor	1 January 2019	10 October 2022	Responsible for supervising our Board and senior management and overseeing our operations	None

**Dr. Cao Gang (曹崗)**, aged 49, was our former Director from May 2020 to October 2022 and has been appointed as chairman of the supervisory committee since October 2022. He is primarily responsible for presiding over the work of the Supervisory Committee and supervising the Board and senior management and overseeing our operations.

Dr. Cao is experienced in scientific research and project management. Before joining Beijing Municipal Science and Technology Commission\* (北京市科學技術委員會) where the commission focuses on the development of the artificial intelligence industry in China in August 2012 where he served as the deputy chief of the department of high-tech industrialisation, Dr. Cao worked as the chief officer of Beijing Software Product Quality Inspection and Testing Centre\* (北京軟件產品質量檢測檢驗中心) in September 2010 where the centre conducts inspection and is responsible for quality control of software products. Since February 2019, Dr. Cao has been the executive vice president of Beijing Academy of Artificial Intelligence (北京智源人工智能研究院) where he is in charge of integrated operations and results transformation work.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Dr. Cao has been the general manager of Beijing Innovation Zhiyuan Technology Co., Ltd.\* (北京創新智源科技有限公司) since July 2019, the executive director of Beijing Zhiyuan Venture Capital Fund Management Co., Ltd.\* (北京智源創業投資基金管理有限公司) since March 2021, and the chairman of the board of Beijing Zhiyuan Wudao Technology Co. Ltd.\* (北京智源悟道科技有限公司) since July 2021.

Dr. Cao obtained a doctorate degree in computer application technology from Institute of Computing Technology, Chinese Academy of Sciences (中國科學院計算技術研究所) in July 2004.

**Mr. Ni Jie (倪捷)**, aged 55, has been our shareholder representative Supervisor since August 2015. He is primarily responsible for supervising our Board and senior management and overseeing our operations.

Mr. Ni has extensive experience in finance and economics. Prior to joining our Group, Mr. Ni worked at CCID from February 2004 to October 2017 where he last served as the deputy chief economist and was responsible for, among other things, assisting the president of CCID to carry out financial accounting and analysis, capital operation, financing and tax planning. From October 2017 to March 2021, Mr. Ni worked at Saidi Group (being an indirect Shareholder of our Company) as the deputy chief economist and was responsible for assisting the group in financing and major investment and business analysis. Since March 2021, he has been promoted to the position of chief economist and is responsible for assisting Saidi Group to carry out major economic management and investment work.

Mr. Ni graduated from University of Northern Virginia with a Master of Business Administration in January 2004.

**Ms. Xue Na (薛娜)**, aged 45, has been appointed as our personnel manager of the administrative department of our Company since January 2022 and as our employee representative Supervisor since October 2022. She is primarily responsible for supervising the Board and senior management and overseeing our operations.

Prior to joining our Group, Ms. Xue was employed as the marketing manager of Beijing Software Product Quality Inspection Centre\* (北京軟件產品質量檢測檢驗中心) during the period between August 2005 and February 2010. Ms. Xue then served as the director of human resources department of Beijing Shangpinyuan Brand Planning Co., Ltd\* (北京上品源品牌策劃有限公司) from February 2010 to December 2018 where she was in charge of talent recruitment, human relations and administrative matters. Ms. Xue has been the director of human resources department of our Company from January 2019 to January 2022 and was primarily responsible for overseeing the overall management of human resource of our Group.

Ms. Xue obtained her bachelor's degree in finance from University of International Business and Economics (對外經濟貿易大學) in June 2010.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

#### Members of our senior management

Our senior management, together with our executive Directors, is responsible for the day-to-day management of our business. The following table sets out certain information with respect to members of our senior management as at the Latest Practicable Date:

Name	Age	Position(s)	Date of joining our Group	Role and responsibilities in our Group	Relationship with other Directors, Supervisors and senior management
Mr. Yang Qiang (楊強)	42	Deputy general manager	October 2019	Responsible for research, design and development of simulation test tool chain and the management of the R&D team of our Group	None
Ms. Liang Jun (梁軍)	55	Chief financial officer	January 2019	Responsible for overseeing the finance and accounting matters and financial reporting of our Group	None
Dr. Xue Xiaoping (薛曉卿)	38	Director of forward-looking division	August 2019	Responsible for forward-looking research on policies, standards and regulations in relation to simulation testing and vehicle operation	None

**Mr. Yang Qiang (楊強)**, aged 42, has been our deputy general manager since January 2021, our chief director of R&D, and the general manager of Shanghai Saimo since October 2019. He is primarily responsible for research, design and development of simulation test tool chain and the management of the R&D team of our Group.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Yang has extensive experience in the software engineering industry. From February 2011 to June 2018, he was employed as the technical director of the product development division of Shanghai Ekai Information Technology Co., Ltd\* (上海億凱信息技術有限公司) where the company specialises in the development of computer technology and technical consulting. Mr. Yang served as the technical director of Shanghai Tongta Technology Co., Ltd.\* (上海童塔科技有限公司) from July 2018 to October 2019 where the company specialises in the fields of software science and technology.

Mr. Yang obtained his bachelor's degree in mathematics and applied mathematics from Shanghai University (上海大學) in July 2005 and his master of engineering in software engineering from Shanghai Jiao Tong University (上海交通大學) in March 2016. Mr. Yang was qualified as an Automotive Functional Safety Professional (AFSP), a personnel qualification programme for ISO 26262 developed by SGS-TÜV, in January 2021 and the qualification is valid until the end of 2023.

**Ms. Liang Jun (梁軍)**, aged 55, was appointed as our financial manager in January 2019 and has been redesignated as our chief financial officer since January 2020. She is primarily responsible for overseeing the finance and accounting matters and financial reporting of our Group.

Ms. Liang has extensive experience in accounting and finance. She served as the deputy general manager and head of finance department of Natural Fenghe Technology Development (Beijing) Company Limited\* (自然風和科技發展(北京)有限公司) from December 2004 to June 2016 where the company specialises in, among other things, enterprise management consulting. From July 2016 to December 2018, Ms. Liang joined Beijing Dimei Direct Marketing Consulting Co. Ltd.\* (北京迪美策方市場諮詢有限公司) where the company specialises in economic and trade consulting and market research.

Ms. Liang graduated from Beijing University of Posts and Telecommunications (北京郵電大學) in July 1992 with a college degree in radio technology. Ms. Liang received the certificate of accounting professional issued by Beijing Municipal Finance Bureau (北京市財政局) in June 1997 and the intermediate accountant qualification certificate issued by the MOF in May 2004.

**Dr. Xue Xiaoqing (薛曉卿)**, aged 38, has been the director of the forward-looking division (前瞻事業部) of our Company since August 2019 and is primarily responsible for forward-looking research on policies, standards and regulations in relation to simulation testing and vehicle operation.

Dr. Xue has approximately seven years of experience in the ICV industry with focus on researching on the relevant policies and standards. Prior to joining our Group, during the period from July 2016 to June 2019, he was working at ICV Evaluation Engineering Technology Centre\* (智聯網聯汽車測評工程技術中心) of the CSTC as the deputy chief where he was responsible for, among other things, autonomous vehicle information security testing and on-board computing platform research. He was then appointed as deputy general manager from September 2017 to December 2018, where he was responsible for, among other things, autonomous driving operating system test research.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Dr. Xue obtained his doctor of philosophy in vehicle operation engineering from Beijing Institute of Technology (北京理工大學) in June 2016.

Save as disclosed above, none of our Directors, Supervisors or senior management members had held any directorship in any public company, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, (i) none of the Directors, Supervisors or members of the senior management of our Company was related to any other Directors, Supervisors or members of the senior management of our Company; and (ii) there is no additional matter with respect to the appointment of Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### COMPANY SECRETARY

**Ms. Cheung Lai Ha (張麗霞)**, has been appointed as our company secretary with effect from 22 February 2024.

Ms. Cheung serves as an assistant vice president of Entity Solutions of Computershare Hong Kong Investor Services Limited. She has over 14 years of experience in the corporate governance arena. Ms. Cheung is currently the company secretary of various companies, whose shares are listed on the Stock Exchange.

Ms. Cheung obtained a bachelor's degree in Business Administration from the Lingnan University in Hong Kong in November 2002 and a master's degree in Corporate Governance from The Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in June 2011. Ms. Cheung is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

### BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed four Board committees, namely the audit committee, the remuneration committee, the nomination committee and the strategy committee.

#### Audit committee

Our Group has established the audit committee on 21 December 2024 with effect from the Listing Date with written terms of reference in accordance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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Rules. The audit committee consists of three independent non-executive Directors, namely Guo Lili, Huang Hua and Wong Ho Kwan. Guo Lili has been appointed as the chairlady of the audit committee. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies, to make recommendations to our Board on the appointment and dismissal of the external auditors, and to perform other duties and responsibilities as assigned by our Board.

### **Remuneration committee**

Our Group has established the remuneration committee on 21 December 2024 with effect from the Listing Date with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The remuneration committee has three members, namely Guo Lili, Mr. He and Huang Hua. Huang Hua has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors, Supervisors and senior management, review and approve our management's remuneration proposals with reference to our Board's corporate goals and objectives, ensure none of our Directors determine their own remuneration, and make recommendations on employee benefit arrangement.

### **Nomination committee**

Our Group has established the nomination committee on 21 December 2024 with effect from the Listing Date with written terms of reference in compliance with paragraph B.3.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The nomination committee consists of three members, namely Huang Hua, Mr. Hu and Wong Ho Kwan. Wong Ho Kwan has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and make recommendation to our Board on any proposed changes to our Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to our Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to our Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our chairman.

### **Strategy committee**

Our Group has established the strategy committee on 21 December 2024 with effect from the Listing Date with written terms of reference in compliance with relevant PRC laws and regulations. The strategy committee consists of three members, namely Mr. Hu, Mr. He and Ms. Ma. Mr. Hu has been appointed as the chairman of the strategy committee. The primary duties of the strategy committee are to study and make recommendations to our Board on the long-term development strategies and the decision-making on significant investments of our Company.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### BOARD DIVERSITY POLICY

With a view to achieving sustainable and balanced development, we have adopted a board diversity policy (the “**Board Diversity Policy**”) to achieve diversity in our Board. The Board Diversity Policy sets out the objective of and approach by our Board to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board and recognises and embraces the benefits of diversity in our Board. We endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the implementation of our business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service and any other factors that our Board may consider relevant and applicable from time to time. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will enable our Company to best serve our Shareholders and other stakeholders going forward.

Our Board currently comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, marketing and business development, and finance and accounting experiences in addition to experience in the ICV and related industry. In addition, the other three newly appointed independent non-executive Directors are expected to bring in fresh ideas and new perspectives to our Group as well and an element of independence. Our Board believes that by having three female representation out of nine members on our Board, a mix of different background and experiences of our Directors and the age diversity, our current Board composition satisfies the principles set out in the Board Diversity Policy.

Our nomination committee will review the composition of our Board and identify and recommend suitable candidates to our Board from time to time and make recommendations as to the appointment of members of our Board in accordance with our Board Diversity Policy. Our Company will also take into consideration factors based on our Group’s business model and specific needs from time to time in determining the optimum composition of our Board.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.



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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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### **OTHER INFORMATION**

#### **Rule 8.10 of the Listing Rules**

Save as disclosed above, as at the Latest Practicable Date, none of our Directors, or their respective close associates, was engaged in or had any interest in a business, apart from business of our Group, which competes or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

#### **Rule 3.09D of the Listing Rules**

Each of our Directors has confirmed that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in November 2022, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

#### **Rule 3.13 of the Listing Rules**

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of our Company; and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

### **REMUNERATION POLICY**

Our Directors, Supervisors and members of our senior management receive compensation from our Company in the form of salaries, discretionary bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive remuneration from our Company in the form of salaries, discretionary bonuses, social security plans, housing provident fund plans, and other allowances and benefits.

The aggregate remuneration paid to our Directors and Supervisors for the Track Record Period was approximately RMB3.0 million, RMB3.8 million, RMB4.0 million and RMB2.0 million, respectively.

During the Track Record Period, our Group's five highest paid individuals included three, three, one and one Director(s), respectively. The aggregate amount of wages, salaries and bonuses, contributions to pension plans, share-based payment expenses, social security costs, housing benefits, employee benefits and other benefits in kind paid to our five highest paid individuals (excluding the Directors amongst the five highest paid individuals) for the Track Record Period was approximately RMB1.7 million, RMB2.1 million, RMB4.6 million and RMB2.1 million, respectively.

Under the arrangement currently in force and pursuant to service contracts with our Directors and Supervisors referred to in "C. Further information about our Directors, Supervisors and substantial Shareholders – 1. Directors and Supervisors – (c) Directors' and Supervisors' remuneration" in Appendix VI to this prospectus, the aggregate remuneration (including wages, salaries and bonuses, contributions to pension plans, share-based payment expenses, social security costs, housing benefits, employee benefits and other benefits in kind) payable to our Directors and Supervisors for the year ending 31 December 2024 is estimated to be approximately RMB4.2 million.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable, in respect the Track Record Period by us or any of our subsidiaries to our Directors or Supervisors, and no payments were made during the Track Record Period by us to any of our Directors, Supervisors or senior management as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors or Supervisors waived any remuneration during the Track Record Period.

**COMPLIANCE ADVISER**

Our Company appointed CEB International as our Compliance Adviser pursuant to Rules 3A.19 and 3A.23 of the Listing Rules. The Compliance Adviser will advise our Company on on-going compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise us in the following circumstances:

- (a) before the publication of any announcement, circular or financial report required by regulatory authorities or applicable laws;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and securities repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of us regarding unusual movements in the price or trading volume of our Shares or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Adviser will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange as well as any amendment or supplement to applicable laws and guidelines.

The Compliance Adviser's term of appointment shall commence on the Listing Date and end on the date which we distribute our annual report of financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

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## SHARE CAPITAL

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The following is a description of the share capital of our Company prior to and following completion of the Global Offering.

### IMMEDIATELY BEFORE THE GLOBAL OFFERING

As at the Latest Practicable Date, the registered share capital of our Company was RMB100,000,000, comprising 100,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

### UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital upon completion of the Global Offering
Unlisted Shares in issue	100,000,000	75.0%
H Shares to be issued pursuant to the Global Offering	<u>33,333,400</u>	<u>25.0%</u>
<b>Total</b>	<u><u>133,333,400</u></u>	<u><u>100.0%</u></u>

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital upon completion of the Global Offering
Unlisted Shares in issue	100,000,000	72.3%
H Shares to be issued pursuant to the Global Offering	<u>38,333,400</u>	<u>27.7%</u>
<b>Total</b>	<u><u>138,333,400</u></u>	<u><u>100.0%</u></u>

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## SHARE CAPITAL

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### OUR SHARES

The H Shares in issue upon completion of the Global Offering and the Unlisted Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares. Apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons. Unlisted Shares can only be subscribed for by and traded between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors. H Shares may only be subscribed for and traded in Hong Kong dollars while Unlisted Shares may only be subscribed for and traded in RMB.

### RANKING

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends in respect of H Shares are to be declared in RMB and paid by us in Hong Kong dollars or in the form of H Shares, whereas all dividends in respect of Unlisted Shares are to be declared in RMB and paid by us in RMB or in the form of Unlisted Shares.

### CONVERSION OF UNLISTED SHARES INTO H SHARES

All our Unlisted Shares are not listed or traded on any stock exchange. According to regulations issued by the securities regulatory authority of the State Council and the Articles of Association, our Unlisted Shares may be converted into H Shares, and such converted H Shares may be listed and traded on an overseas stock exchange, provided that the conversion, listing and trading of such converted H Shares shall meet all requirements in the requisite internal approval processes and the filing procedures of the relevant PRC regulatory authorities, including the CSRC, and approval from the relevant overseas stock exchange has been obtained. In addition, such conversion, listing and trading shall in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, our Company will have to go through the necessary filing procedures of the relevant PRC regulatory authorities, including the CSRC, and obtain approval from the Stock Exchange, and comply with relevant transfer procedures. We may apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares prior to any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock

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## SHARE CAPITAL

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Exchange as a purely administrative matter, it does not require prior application for listing at the time of our Listing in Hong Kong. No Shareholder voting at class meetings is required for the listing and trading of the converted H Shares on an overseas stock exchange. However, prior notification to inform Shareholders and the public of such proposed conversion is required by way of announcement.

After obtaining all the requisite approvals, the following procedures will have to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and such Shares will be re-registered on our H Share register maintained in Hong Kong and we will instruct the H Share Registrar to issue the relevant H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due despatch of H Share certificates; and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules, the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted H Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

As at the Latest Practicable Date, the Directors were not aware of any intention of the Shareholders to convert any of their Unlisted Shares into H Shares.

### **TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING**

According to the PRC Company Law, in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within one year from the listing date. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction on transfer within one year from the Listing Date.

Our Directors, Supervisors and members of the senior management (as defined in our Articles of Association) shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, Supervisors, members of senior management of our Company and other Shareholders. For further details, please refer to “Summary of Articles of Association” in Appendix V to this prospectus.

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## SHARE CAPITAL

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In addition, (i) each of our existing Shareholders has undertaken to us not to transfer our Shares it holds at the time of Listing within one year from the Listing Date; and (ii) each of the Controlling Shareholders has also given a lock-up undertaking to our Company, the Sole Sponsor and the Hong Kong Underwriters. Please refer to “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Undertakings pursuant to the Hong Kong Underwriting Agreement – Undertaking by our Controlling Shareholders” in this prospectus for further details.

### **REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE**

In accordance with the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, our Company is required to register its domestic shares with China Securities Depository and Clearing Corporation Limited within 15 business days upon the Listing and provide a written report to the CSRC regarding the centralised registration and deposit of the domestic shares that are not listed on the overseas stock exchange as well as the offering and listing of the H shares.

### **SHAREHOLDERS’ APPROVAL FOR THE GLOBAL OFFERING**

Approval from holders of the Shares is required for our Company to issue H Shares and seek the listing of the H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders’ general meetings held on 8 December 2022 and 25 August 2023.

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## CORNERSTONE INVESTOR

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### THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with the cornerstone investor set out below (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed, subject to certain conditions, to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased for an aggregate maximum amount of approximately HK\$148.5 million) (exclusive of the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$12.0 (being the low-end of the indicative Offer Price range stated in this prospectus), the maximum total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 12,375,000 H Shares, representing (a) approximately 37.1% of the total number of the Offer Shares, assuming the Over-allotment Option is not exercised; (b) approximately 32.3% of the total number of the Offer Shares, assuming the Over-allotment Option is fully exercised; (c) approximately 9.3% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised; and (d) approximately 8.9% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$15.0 (being the mid-point of the indicative Offer Price range stated in this prospectus), the maximum total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 9,900,000 H Shares, representing (a) approximately 29.7% of the total number of the Offer Shares, assuming the Over-allotment Option is not exercised; (b) approximately 25.8% of the total number of the Offer Shares, assuming the Over-allotment Option is fully exercised; (c) approximately 7.4% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised; and (d) approximately 7.2% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$18.0 (being the high-end of the indicative Offer Price range stated in this prospectus), the maximum total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 8,250,000 H Shares, representing (a) approximately 24.7% of the total number of the Offer Shares, assuming the Over-allotment Option is not exercised; (b) approximately 21.5% of the total number of the Offer Shares, assuming the Over-allotment Option is fully exercised; (c) approximately 6.2% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised; and (d) approximately 6.0% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.



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## CORNERSTONE INVESTOR

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We believe that the Cornerstone Placing will ensure a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering which will help raise the profile of our Company. In addition, the Cornerstone Placing will signify confidence of the market in our Company and our business prospect. We were directly approached by the Cornerstone Investor for potential investment opportunities.

To the best knowledge of our Company, (i) the Cornerstone Investor is an Independent Third Party and is not a connected person of our Company and its close associate; (ii) the subscription of the Offer Shares by the Cornerstone Investor is not financed directly or indirectly by our Company, Directors, Supervisors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders, or any of its subsidiaries or their respective close associates; and (iii) the Cornerstone Investor is not accustomed to take instructions from our Company, Directors, Supervisors, chief executive, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it.

The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement, and the Cornerstone Placing will form part of the International Offering. The Cornerstone Investor has agreed to pay for the relevant Offer Shares that it has subscribed before dealings in the H Shares commence on the Stock Exchange. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, (i) the Cornerstone Investor will not have any representation on the Board; (ii) the Cornerstone Investor will not become a substantial Shareholder of our Company; or (iii) the H Shares in our Company being beneficially owned by the three largest public Shareholders will be less than 50% of the Shares in public hands for the purpose of Rule 8.08(3) of the Listing Rules.

As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its internal resources and/or own funds. There are no side agreements or arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing or the Listing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. The Cornerstone Investor has confirmed that all necessary approvals (including approvals from their shareholders, if relevant) have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant cornerstone investment.

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## CORNERSTONE INVESTOR

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To the best knowledge of our Company, no preferential treatment has been granted by our Company to the Cornerstone Investor other than the preferential treatment of assured entitlement to the Cornerstone Investor following the principles as set out in Chapter 4.15 (Placing-related Matters) of the Guide for New Listing Applicants. The Offer Shares to be subscribed for by the Cornerstone Investor might be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for Offer Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and clawback” in this prospectus, the number of Offer Shares to be acquired by the Cornerstone Investor under the International Offering may be deducted on a pro rata basis to satisfy the public demands under the Hong Kong Public Offering. Further, the Sponsor-Overall Coordinator and our Company can adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investor in their sole and absolute discretion for the purpose of satisfying Rule 8.08(3) of the Listing Rules which provides that no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by us on or around 14 January 2025.

The Cornerstone Investor has agreed that the Sponsor-Overall Coordinator may defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. Despite having agreed to a potential delayed delivery arrangement, the Cornerstone Investor has agreed that it shall pay for the relevant Offer Shares that it has subscribed before the Listing Date, and there will be no delayed settlement of payment. The delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. For details of the Over-allotment Option and the stabilisation action by the Stabilising Manager, please refer to “Structure of the Global Offering – Over-allotment Option” and “Structure of the Global Offering – Stabilisation” in this prospectus, respectively.

## CORNERSTONE INVESTOR

### OUR CORNERSTONE INVESTOR

The table below sets forth details of the Cornerstone Placing:

Based on an Offer Price of HK\$12.0 (being the low-end of the indicative Offer Price range)						
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximately % of the total Shares	Approximately immediately upon the completion of the Global Offering	Approximately % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering
Cornerstone Investor	Maximum investment amount	Maximum number of Offer Shares <sup>(Note)</sup>	Approximate % of the total number of the Offer Shares	Approximate immediately upon the completion of the Global Offering	Approximate % of the total number of the Offer Shares	Approximate immediately upon the completion of the Global Offering
<i>China Mobile</i>						
<i>International</i>						
<i>Holdings Limited</i>						
(中國移動國際控股 有限公司) (“China Mobile International”)	HK\$148.5 million	12,375,000	37.1	9.3	32.3	8.9
<b>Total</b>	<b>HK\$148.5 million</b>	<b>12,375,000</b>	<b>37.1</b>	<b>9.3</b>	<b>32.3</b>	<b>8.9</b>

## CORNERSTONE INVESTOR

Based on an Offer Price of HK\$15.0  
(being the mid-point of the indicative Offer Price range)

Cornerstone Investor	Maximum investment amount	Maximum number of Offer Shares <sup>(Note)</sup>	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the total Shares	Approximately immediately upon the completion of the Global Offering	Approximately % of the total Shares	Approximately immediately upon the completion of the Global Offering
<i>China Mobile</i>						
<i>International</i>	HK\$148.5 million	9,900,000	29.7	7.4	25.8	7.2
<b>Total</b>	<b>HK\$148.5 million</b>	<b>9,900,000</b>	<b>29.7</b>	<b>7.4</b>	<b>25.8</b>	<b>7.2</b>

Based on an Offer Price of HK\$18.0  
(being the high-end of the indicative Offer Price range)

Cornerstone Investor	Maximum investment amount	Maximum number of Offer Shares <sup>(Note)</sup>	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the total Shares	Approximately immediately upon the completion of the Global Offering	Approximately % of the total Shares	Approximately immediately upon the completion of the Global Offering
<i>China Mobile</i>						
<i>International</i>	HK\$148.5 million	8,250,000	24.7	6.2	21.5	6.0
<b>Total</b>	<b>HK\$148.5 million</b>	<b>8,250,000</b>	<b>24.7</b>	<b>6.2</b>	<b>21.5</b>	<b>6.0</b>

*Note:* Subject to rounding down to the nearest whole board lot of 200 H Shares.

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## CORNERSTONE INVESTOR

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The information about our Cornerstone Investor set forth below has been provided to our Company by the Cornerstone Investor in connection with the Cornerstone Placing:

### **China Mobile International**

China Mobile International, a limited liability company established under the laws of Hong Kong, is directly wholly owned by China Mobile Limited (中國移動有限公司) which is listed on the Main Board of the Stock Exchange (stock code: 941) and the Shanghai Stock Exchange (stock code: 600941). China Mobile International is principally engaged in investment holding.

### **CLOSING CONDITIONS PRECEDENTS**

The subscription obligation of the Cornerstone Investor under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither of the Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon among our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters);
- (c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approvals, permissions or waivers having not been revoked prior to the commencement of dealings in the H Shares on the Main Board of the Stock Exchange;
- (d) no Laws (as defined in the Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transaction; and
- (e) the representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as at the date of the Cornerstone Investment Agreement) and will be (as at the Listing Date or, if applicable, the Delayed Delivery Date (as defined in the Cornerstone

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## CORNERSTONE INVESTOR

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Investment Agreement)) accurate, true and complete in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor;

- (f) our respective representations, warranties, undertakings and confirmations under the Cornerstone Investment Agreement are (as at the date of the Cornerstone Investment Agreement) and will be (as at the Listing Date or, if applicable, the Delayed Delivery Date (as defined in the Cornerstone Investment Agreement)) accurate, true and complete in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on our part; and
- (g) we shall have delivered to the Cornerstone Investor the confirmation letter executed by our legal representative and stamped with the official seal of our Company and corresponding evidence documents (if any) at or prior to the Closing (as defined in the Cornerstone Investment Agreement), certifying that each of the closing conditions (except for paragraph (e) above) have been satisfied.

### RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed, covenanted and undertaken to us and the Sponsor-Overall Coordinator that without the prior consent of each of us and the Sponsor-Overall Coordinator, it shall not, and shall procure that its wholly-owned subsidiaries to whom the Cornerstone Investor has transferred any of the H Shares under the Cornerstone Placing pursuant to the Cornerstone Investment Agreement will not, whether directly or indirectly, at any time during the period commencing from (and inclusive of) the Listing Date and ending on (and inclusive of) the date falling six months after the Listing Date (the “**Lock-up Period**”), (i) dispose of, in any way, any of the Offer Shares it has purchased pursuant to the relevant Cornerstone Investment Agreement or any interest in any company or entity holding any of such Offer Shares including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC) at the level of its ultimate beneficial owner; (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction; or (iv) agree or contract to, or announce any intention to enter into any of the foregoing transactions described in (i), (ii) and (iii) above with a third party, in each case whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of the Offer Shares or such other securities convertible into or exercisable or exchangeable for Offer Shares, in cash or otherwise.

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## FINANCIAL INFORMATION

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*The following discussion and analysis should be read in conjunction with our audited consolidated financial information for the Track Record Period and the accompanying notes, included in the Accountant's Report in Appendix I to this prospectus. Our financial information and consolidated financial statements have been prepared in accordance with IFRSs, which may differ in certain respects from generally accepted accounting principles in other countries. Potential investors should also read the entire Accountant's Report in Appendix I to this prospectus and should not rely merely on the information contained in this section.*

*The discussion and analysis in this section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in "Risk factors" in this prospectus.*

*Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.*

### OVERVIEW

We are a technology company based in the PRC focusing on independent innovation of simulation technologies, and primarily engaged in the design and R&D of ICV simulation testing products and the provision of related testing, validation and evaluation solutions. We also started to extend the applications of our technologies in other industries. Our customers primarily include the governments and SOEs, and renowned automotive manufacturers and technology companies in the PRC. According to F&S, we are the largest market player in China's ICV testing, validation and evaluation solutions industry with a market share of approximately 5.3% in terms of revenue in 2023, and the largest market player in China's ICV simulation testing software and platforms market with a market share of approximately 5.9% in terms of revenue in 2023.

During the Track Record Period, our revenue amounted to approximately RMB106.9 million, RMB145.4 million, RMB175.7 million and RMB55.6 million, respectively, whereas our net profit/(loss) amounted to approximately RMB37.6 million, RMB48.7 million, RMB53.4 million and RMB(4.6) million, respectively.

Please refer to "Business – Our competitive strengths" and "Business – Our strategies" in this prospectus for further details of our competitive strengths and strategies, respectively.

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## FINANCIAL INFORMATION

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### **BASIS OF PREPARATION**

Our financial information is presented in RMB, which is also the functional currency of companies comprising our Group, and was prepared and presented in accordance with IFRSs.

Our financial information has been prepared under the historical cost convention unless otherwise stated.

The preparation of the financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our financial information, are disclosed in note 4 to the Accountant's Report in Appendix I to this prospectus.

All effective standards, amendments to standards and interpretations, which are mandatory for 6M2024, are consistently applied to our Group for the Track Record Period.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

#### **General factors affecting our results of operations**

The demand for our business in respect of offering ICV testing, validation and evaluation products and services is affected by the following general factors:

- (i) the PRC's macroeconomic conditions and the overall growth of the ICV market in the PRC;
- (ii) the market growth and customer demand of ICV testing, validation and evaluation products and services in the PRC;
- (iii) the competitive landscape of ICV testing, validation and evaluation products and services in the PRC;
- (iv) the relevant PRC laws and regulations of ICV industry and ICV testing, validation and evaluation solutions industry, including, among other things, compliance with new and evolving laws and regulations; and
- (v) the relevant policies and initiatives in respect of the ICV industry and ICV testing, validation and evaluation solutions industry in the PRC, including government subsidies and grants for the development of ICV testing, validation and evaluation technologies.

Changes in any of these general industry conditions could affect our business and result of operations.



### Specific factors affecting our results of operations

Besides the general factors affecting our business in respect of offering ICV testing, validation and evaluation products and services, our financial condition, results of operations and the period-to-period comparability of our financial results are affected by company specific factors, including the following major factors:

*(i) Ability to enhance our technological capabilities*

Our Group offers ICV testing, validation and evaluation products and services to customers mainly based on our self-developed and proprietary core technological tools, including (a) *Sim Pro*; and (b) *Safety Pro*. For further details of our self-developed and proprietary core technological tools, please refer to “Business – Our core technologies” in this prospectus. Being an early market player in the industry, we have also built in-depth industry knowledge and technical know-how throughout the years and are familiar with industry standards and regulatory requirements in providing comprehensive ICV testing, validation and evaluation solutions. Our commercial success in ICV testing, validation and evaluation products and services is primarily built upon our leading technology know-how and our self-developed core technological tools in the PRC. Therefore, the increasing expenditure in our R&D plays an important role in supporting our business growth. During the Track Record Period, our Group incurred substantial R&D expenditure (including R&D costs capitalised as intangible assets) to support our innovative product and service offerings, which amounted to approximately RMB27.1 million, RMB38.8 million, RMB76.4 million and RMB41.1 million, respectively.

We will continue to commit significant resources to our R&D so as to further enhance our key technologies to strengthen our competitive edges over emerging competitors and to enhance our market position in the PRC. We believe that our commitment to technological capability enhancements will enable us to continuously improve our existing products and services, and also to release more innovative and advanced products and services that could attract new and existing customers to seek for our ICV testing, validation and evaluation products and services. However, there is no assurance that our R&D efforts may be sufficient to adapt to changes in the evolving ICV and ICV testing, validation and evaluation technologies. As such, our business, financial condition, and results of operations may be materially and adversely affected. Moreover, our ability to conduct R&D activities in a cost-effective manner will have a significant impact on our profitability and results of operations.

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## FINANCIAL INFORMATION

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(ii) *Change of product mix and ability to optimise profit for our product and service offerings*

Our Group's ICV testing, validation and evaluation products and services comprise (a) ICV simulation testing software and platforms; (b) ICV data platforms and other products; (c) ICV testing and related services; and (d) advisory and other services, which form a testing-validation closed loop to jointly support the R&D of autonomous driving vehicles and establishment of a standardised autonomous driving system in the PRC.

Our Group's overall gross profit margin and profitability depend on our ability to optimise profit from our products and services which vary from project to project. The contract price and the relevant costs of our products and services are determined on a project-by-project basis depending on a variety of factors, including but not limited to (a) the nature and scale of the projects; (b) the scope and complexity of the work to be performed; (c) the specification and customisations required by our customers; (d) the technical, software, hardware, servers and components requirements; (e) the project timeline and the manpower and resources required; (f) quantities of purchases; (g) the services for deployment and maintenance; (h) the R&D expenses; (i) customer profile; and (j) to the extent that is applicable, fees charged by other market participants for comparable products and services.

During the Track Record Period, we generated a relatively lower gross profit margin for products and services which involved a higher degree of customisation or procurement of hardware and servers and/or deployment of staff while we generated a relatively higher gross profit margin for our standardised products and services with the use of our existing self-developed software and a lower degree of procurement of hardware and servers and/or deployment of staff which incurred a much lower amount of cost of sales. This is primarily attributable to the fact that our products with a higher degree of customisation (such as ICV simulation testing platforms and customised ICV simulation testing software) generally require more procurement of hardware or software from external suppliers and/or more development work to be performed by us. Generally, the more customised the products, the higher level of procurement costs and/or labour costs which may be incurred. On the other hand, our products with a lower degree of customisation (such as standalone *Safety Pro* and *Sim Pro* software) generally require less procurement of hardware or software, or performance of extra development work. Therefore, the composition of our products and services sold during a year may have a significant impact on our overall gross profit margin which would lead to fluctuations of our profitability for that particular year.

Given that the contract price is agreed on a project-by-project basis after arm's length negotiations or, where applicable, through the bidding process with other competitors, there is no assurance that we will be always able to maintain a desirable gross profit margin. If competition in the industry we operate intensifies in the future, our management will also closely monitor the pricing of similar products and services offered

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## FINANCIAL INFORMATION

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by our competitors and adjust our pricing accordingly to maintain our competitiveness in the market. Therefore, any material changes in our gross profit margin on a project could materially affect our profitability and results of operations.

*(iii) Ability to grow our customer base*

Our Group sells our products and services to customers from both the public sector and the private sector in the PRC. We mainly generate revenue from provision of comprehensive ICV testing, validation and evaluation products and services to SOEs and government authorities in the public sector and automotive manufacturers and technology companies in the private sector. During FY2021, a majority of our revenue was derived from our public sector customers which amounted to approximately RMB84.8 million, accounting for approximately 79.3% of our total revenue, while for FY2022, FY2023 and 6M2024, a majority of our revenue was derived from our private sector customers which amounted to approximately RMB136.4 million, RMB155.1 million and RMB46.8 million, respectively, accounting for approximately 93.8%, 88.3% and 84.3% of our total revenue, respectively. Moreover, a significant portion of our revenue during the Track Record Period was derived from a limited number of customers. For each financial year/period during the Track Record Period, our revenue generated from our top five customers amounted to approximately RMB99.9 million, RMB97.8 million, RMB98.0 million and RMB42.3 million, respectively, accounting for approximately 93.4%, 67.2%, 55.8% and 76.1% of our total revenue, respectively. For further details of our customers, please refer to in “Business – Our customers” in this prospectus.

With enhanced and expanded product and service offerings, we target to grow our customer base and explore new business opportunities to pursue our business strategies to provide products and services by expanding our market coverage geographically to more cities in the PRC, where many automotive manufacturers and ICV industry participants are located or where laws, regulations and policies are supportive of the industry development. Please refer to in “Business – Our strategies” in this prospectus for further details of our business strategies of growing our customer base and geographically expanding our market coverage.

Our future business growth depends significantly on our ability to expand our business with existing customers and at the same time to attract new customers. The expansion of our customer base is the key driver of our business growth. However, there is no assurance that we will be able to expand our customer base or to broaden our exposure to more potential customers geographically. If we fail to maintain or grow our customer base, our business, results of operations and financial conditions would be materially and adversely affected.

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*(iv) Ability to achieve operating efficiency*

Our Group's results of operations depends on our ability to manage and optimise our operating cost structure, which is extremely important to the success of our business and our prospect of maintaining profitability. We aim to improve our operating efficiency in every aspect of our business, such as optimising R&D expenses, selling and marketing expenses, as well as general and administrative expenses. As a percentage of our total revenue, the aggregate amount of our operating costs (being our R&D expenses, selling and marketing expenses and general and administrative expenses) accounted for approximately 42.5%, 43.7%, 62.9% and 110.0% of our total revenue during the Track Record Period, respectively. In particular, our R&D expenses accounted for approximately 59.7%, 48.6%, 64.5% and 67.2% of our total operating costs during the Track Record Period, respectively.

We expect that the absolute amount of our R&D expenses will continue to increase along with our business growth and will continue to contribute to a large proportion of our total operating costs in the foreseeable future so as to further enhance our key technologies in the market. While we expand the scale and scope of our business, and product and service offerings, we will endeavour to further improve operating efficiency and achieve economies of scale by reducing our operating costs as a percentage of our total revenue in the future. However, there is no assurance that we will be able to control our operating costs, especially R&D expenses, in a reasonable manner in the future. If we fail to achieve operating efficiency, our business, results of operations and financial conditions would be materially and adversely affected.

*(v) Period-to-period fluctuations of our operations*

In each financial year during the Track Record Period, we delivered more projects and recorded more revenue in the second half than the first half of such years. Depending on the timing of securing new projects and their implementation schedules, we may record more revenue in the first half or second half of a particular year in the future. Given that (a) our sale of products of ICV simulation testing software and platforms, and ICV data platforms and other products is generally recognised at a point in time when our products are delivered to, inspected and accepted by our customers; and (b) our revenue from the provision of ICV testing and related services (excluding platform operation and maintenance services), and advisory and other services is generally recognised at a point in time when our services are completed, our revenue would be significantly affected by the timing of the completion of our projects of products and services for sale. As a result, the demand for our products and services may fluctuate period by period and hence, our revenue and profitability may fluctuate accordingly.

### IMPACTS OF THE COVID-19 PANDEMIC

The outbreak of a respiratory illness caused by novel coronavirus disease 2019, later known as COVID-19, has affected the PRC and many parts of the world in recent years. On 30 January 2020, the WHO declared the COVID-19 outbreak a public health emergency of international concern, and on 11 March 2020, the WHO declared the global COVID-19 outbreak a pandemic.

In early 2022, the Omicron and other new variants had become the dominant variants in the PRC and had led to local outbreaks in various cities and areas in the PRC during 2022 and early 2023, including cities where we have business operations, namely Beijing, Shanghai and Hangzhou. As a result, the PRC government had adopted a series of prevention and containment measures to control the spread of COVID-19. Our business and results of operations were affected by the COVID-19 pandemic, which can be summarised as follows:

- (1) ***Closure of offices and remote working arrangement.*** In view of the COVID-19 situation in China since early 2022, we implemented a series of measures to protect our employees against spread of the disease, including temporary closure of some of our offices, adoption of remote working arrangements and limitation or suspension of business travels. As we were able to perform most of our daily works via the internet, our daily operations had not been materially impacted by the temporary COVID-19 containment measures imposed by the PRC government. The productivity and efficiency of our employees, including our R&D team, had not been adversely affected by the work-from-home arrangement during the regional outbreaks of COVID-19 during the Track Record Period and up to the Latest Practicable Date. With the ease of COVID-19 related containment measures across China, all of our offices have resumed normal operation since late December 2022.
- (2) ***Business conducted at the Shunyi Testing Site affected.*** Our business operations at the Shunyi Testing Site had been adversely affected by the COVID-19 pandemic. Specifically, due to the COVID-19 situation during 2022, which, according to F&S, had led to automotive manufacturers and technology companies in the ICV industry slowing down to different degrees their R&D activities and plans, resulting in lower demand for ICV testing services in the industry as a whole. The restrictions on travel and mobility in the PRC during 2022 had also caused some potential customers to delay or cancel their plans to visit the Shunyi Testing Site, causing postponement in contract negotiations and signing. This had affected our schedule of signing new contracts with existing or potential customers for our services provided at the Shunyi Testing Site. Due to the COVID-19 pandemic, we also imposed restrictive measures, such as prohibiting persons with certain prior travel records or from certain regions from entering the Shunyi Testing Site as well as intermittently shutting down the Shunyi Testing Site for a total of 37 days during 2022. However, we did not experience material cancellation or delay of contracts as a result of the aforesaid restrictions in 2022. Further, we have seen a gradual increase in orders of our ICV closed-course site tests and related services since the second half of 2022.

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- (3) ***Impact on contract negotiations and signing.*** Save as disclosed above, and as confirmed by our Directors, our Group did not experience any cancellation of contracts or delay of the provision of our products or services due to the COVID-19 pandemic or the corresponding containment measures imposed by the PRC government. We cancelled or delayed some of our sales and marketing activities, business meetings and contract negotiations, resulting in delays in contract signing.

In response to the COVID-19 pandemic, we employed various measures to mitigate the potential impact on our operations, including (i) increasing communications with customers and other business partners through online channels to maintain close and active relationships with them; (ii) distributing personal protective equipment and masks to our employees and closely monitoring their health conditions; and (iii) adopting remote working arrangement for our employees and reducing business travels and work-place gatherings.

Overall, notwithstanding the temporary adverse impacts of COVID-19 on our business operations as discussed above, we recorded continuous growth of our revenue amidst the COVID-19 pandemic. Our revenue increased from approximately RMB106.9 million for FY2021 to approximately RMB145.4 million for FY2022 with an increase of approximately 36.0% as compared to that for FY2021.

To the best knowledge and information of our Directors, up to the Latest Practicable Date, there had not been any COVID-19-related breach of our material contracts, cancellation of customer orders or material disputes with our customers, and we had not experienced any material operating difficulties, labour shortages, supply chain disruptions or shortages, or disruptions to our R&D activities due to the COVID-19 pandemic. With the ease of COVID-19 related containment measures across China since December 2022, the economic activities in China as well as our business operation at the Shunyi Testing Site has resumed to normal, and our Directors expect that we will experience business growth at the site in view of the rapidly growing market of the ICV road testing services in China in the coming years.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policy information that are material to the preparation of our Group's consolidated financial statements. These material accounting policy information are important for an understanding of our financial condition and results of operations which are disclosed in note 2 to the Accountant's Report in Appendix I to this prospectus.

#### R&D costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred to develop new products is capitalised only when we can demonstrate the technical feasibility of completing intangible assets so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the assets

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will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Capitalised development costs are amortised from the point at which the new products are released.

In the application of our accounting policies, our Directors are required to make judgements, estimates and assumptions that affect our revenue, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates can result in outcomes that require a material adjustment to our revenue, expenses, assets or liabilities in the future. The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities within the next financial year, are set out in note 4 to the Accountant's Report in Appendix I to this prospectus.

### OUR RESULTS OF OPERATIONS

The following table includes a summary of our consolidated statements of comprehensive income for the Track Record Period, which has been extracted from, and should be read in conjunction with the Accountant's Report in Appendix I to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
<b>Revenue</b>	106,906	145,385	175,703	21,627	55,560
Cost of sales	(42,862)	(50,009)	(51,139)	(8,443)	(16,496)
<b>Gross profit</b>	64,044	95,376	124,564	13,184	39,064
Other income	14,506	12,585	40,871	20,815	13,482
Other gains/(losses), net	5,395	5,450	1,192	1,174	(449)
Selling and marketing expenses	(2,458)	(6,508)	(7,731)	(2,693)	(5,179)
General and administrative expenses	(15,816)	(26,167)	(31,472)	(12,097)	(14,850)
R&D expenses	(27,127)	(30,903)	(71,331)	(32,898)	(41,106)
Credit loss allowance (recognised)/reversed	(170)	(1,955)	(7,024)	(2,317)	1,931



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	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Operating profit/(loss)</b>	38,374	47,878	49,069	(14,832)	(7,107)
Share of profits/(loss) of investments					
accounted for using the equity method	–	356	33	1,411	(662)
Finance income	1,045	2,132	3,123	2,147	1,707
Finance costs	(288)	(1,680)	(1,470)	(704)	(684)
<b>Profit/(loss) before income tax</b>	39,131	48,686	50,755	(11,978)	(6,746)
Income tax (expenses)/credit	(1,560)	–	2,676	913	2,147
<b>Profit/(loss) and total comprehensive income/(losses) for the year/period</b>	<u>37,571</u>	<u>48,686</u>	<u>53,431</u>	<u>(11,065)</u>	<u>(4,599)</u>
<b>Profit/(loss) and total comprehensive income/(losses) attributable to:</b>					
Owners of our Company	37,747	50,330	55,479	(9,898)	(4,743)
Non-controlling interests	(176)	(1,644)	(2,048)	(1,167)	144
	<u>37,571</u>	<u>48,686</u>	<u>53,431</u>	<u>(11,065)</u>	<u>(4,599)</u>

### NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, our Group also uses adjusted profit/(loss) (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRSs.

Our Group believes that this non-IFRS measure facilitates comparisons of our operating performance between different financial years/periods and different entities by eliminating the potential impact of certain items. Our Group believes that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.



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However, our presentation of adjusted profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other entities. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

Our Group defines adjusted profit/(loss) (non-IFRS measure) as profit/(loss) for the year/period which is adjusted by eliminating (i) share-based payment expenses; and (ii) listing expenses.

The following table reconciles our adjusted profit/(loss) for the year/period (non-IFRS measure) presented in accordance with IFRSs, which is profit/(loss) for the year/period:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Profit/(loss) for the year/period</b>	<u>37,571</u>	<u>48,686</u>	<u>53,431</u>	<u>(11,065)</u>	<u>(4,599)</u>
Add:					
– Share-based payment expenses <sup>(Note 1)</sup>	1,036	1,135	938	474	604
– Listing expenses <sup>(Note 2)</sup>	<u>–</u>	<u>573</u>	<u>606</u>	<u>31</u>	<u>155</u>
<b>Adjusted profit/(loss) for the year/period (non-IFRS measure)</b>	<u>38,607</u>	<u>50,394</u>	<u>54,975</u>	<u>(10,560)</u>	<u>(3,840)</u>

*Notes:*

- (1) Share-based payment expenses are adjusted for as they are non-cash in nature and do not result in cash outflow.
- (2) Listing expenses are adjusted for as they were incurred for the purpose of the Listing.

There is no income tax impact on our (i) share-based payment expenses; and (ii) listing expenses as our Company has been exempted from EIT from 2019 to 2023. For further discussion of the EIT exemption of our Company, please refer to “Discussion of selected items in consolidated statements of comprehensive income – Income tax expenses/Income tax credit” in this section below.

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### DISCUSSION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

Our Group offers ICV testing, validation and evaluation products and services to customers. During the Track Record Period, our revenue was derived from (i) the sale of our products; and (ii) the provision of our services.

The following table sets forth a breakdown of our revenue attributable to our products and services for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
<b>Our products</b>										
ICV simulation testing software and platforms	60,780	56.9	81,100	55.8	100,492	57.2	1,643	7.6	31,321	56.4
– ICV simulation testing platforms	41,427	38.8	30,600	21.0	61,850	35.2	–	–	16,566	29.8
– Standalone software products	19,353	18.1	50,500	34.8	38,642	22.0	1,643	7.6	14,755	26.6
ICV data platforms and other products	41,921	39.2	39,454	27.1	19,921	11.3	9,745	45.1	10,903	19.6
– ICV data platforms	41,921	39.2	1,407	0.9	17,798	10.1	9,745	45.1	10,903	19.6
– Other products	–	–	38,047	26.2	2,123	1.2	–	–	–	–
<b>Subtotal</b>	<u>102,701</u>	<u>96.1</u>	<u>120,554</u>	<u>82.9</u>	<u>120,413</u>	<u>68.5</u>	<u>11,388</u>	<u>52.7</u>	<u>42,224</u>	<u>76.0</u>
<b>Our services</b>										
ICV testing and related services	2,254	2.1	12,440	8.6	38,970	22.2	8,317	38.5	6,638	12.0
Advisory and other services	1,951	1.8	12,391	8.5	16,320	9.3	1,922	8.8	6,698	12.0
<b>Subtotal</b>	<u>4,205</u>	<u>3.9</u>	<u>24,831</u>	<u>17.1</u>	<u>55,290</u>	<u>31.5</u>	<u>10,239</u>	<u>47.3</u>	<u>13,336</u>	<u>24.0</u>
<b>Total</b>	<u>106,906</u>	<u>100.0</u>	<u>145,385</u>	<u>100.0</u>	<u>175,703</u>	<u>100.0</u>	<u>21,627</u>	<u>100.0</u>	<u>55,560</u>	<u>100.0</u>

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### *Our products*

Our products include both standardised and customised ICV-related products, comprising (i) ICV simulation testing software and platforms; and (ii) ICV data platforms and other products.

During the Track Record Period, we have generated revenue through the sale of products of (i) our ICV simulation testing software and platforms; and (ii) our ICV data platforms and other products. During the Track Record Period, our revenue generated from the sale of products amounted to approximately RMB102.7 million, RMB120.6 million, RMB120.4 million and RMB42.2 million, respectively, representing approximately 96.1%, 82.9%, 68.5% and 76.0% of our total revenue, respectively.

### *ICV simulation testing software and platforms*

ICV simulation testing platforms are our simulation solutions that support development of customised functions to cater to different needs of our customers.

We also sell standalone *Sim Pro* and *Safety Pro* software. Given the specific product feature of our standalone software products which limits their use to a single user (i.e. single user access licence per set of software), our customers may need to purchase multiple sets of our standalone *Sim Pro* and *Safety Pro* for more user access licences based on their business size and commercial needs, which allows them to run multiple ICV simulation tests simultaneously, thereby enhancing their R&D efficiency.

In addition to standalone *Sim Pro* and *Safety Pro*, we also offer other customised standalone software products in accordance with specific needs of our customers. The varieties and functions of such products may vary significantly, but they are generally developed based on one or more specific function(s) or module(s) of our standalone *Sim Pro* and/or *Safety Pro* with additional functions and modules developed based on customer needs.

Please refer to “Business – Our products – ICV simulation testing software and platforms” in this prospectus for further details of our products of ICV simulation testing software and platforms and the differences between our ICV simulation testing platforms and standalone software.

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The decrease in our revenue generated from the sale of ICV simulation testing platforms from approximately RMB41.4 million for FY2021 to approximately RMB30.6 million for FY2022 was primarily attributable to a lower revenue of approximately RMB30.6 million generated from Project F during FY2022 as compared to revenue of approximately RMB41.4 million generated from Project A during FY2021. The increase in our revenue generated from the sale of ICV simulation testing platforms to approximately RMB61.9 million for FY2023 was primarily attributable to the increase in the number of our projects of ICV simulation testing platforms, mainly including Project K (contributing revenue of approximately RMB40.0 million for FY2023). The increase in our revenue generated from the sale of ICV simulation testing platforms from nil for 6M2023 to approximately RMB16.6 million for 6M2024 was primarily attributable to the revenue generated from Project P.

The increase in our revenue generated from the sale of standalone software products from approximately RMB19.4 million for FY2021 to approximately RMB50.5 million for FY2022 was primarily attributable to the completion of the sale for Project H and Project I during FY2022 which contributed aggregate revenue of approximately RMB31.0 million for FY2022. The decrease in our revenue generated from the sale of standalone software products to approximately RMB38.6 million for FY2023 was primarily attributable to the completion of the sale of two aforesaid major projects of standalone software products, namely Project H and Project I for FY2022 despite the increase in the number of our projects of standalone software products from five for FY2022 to 15 for FY2023. The increase in our revenue generated from the sale of standalone software products from approximately RMB1.6 million for 6M2023 to approximately RMB14.8 million for 6M2024 was primarily attributable to the revenue generated from Project Q.

### *ICV data platforms and other products*

Benefitting from our established market position and reputation, as well as our know-how and experience in the ICV testing, validation and evaluation solutions industry, we have been selected by various SOEs based in the PRC in building cloud-based ICV data centres or platforms starting from 2021.

The decrease in our revenue from the sale of ICV data platforms from approximately RMB41.9 million for FY2021 to approximately RMB1.4 million for FY2022 was primarily attributable to the aggregate revenue of approximately RMB41.9 million generated from Project B and Project C during FY2021. The increase in our revenue generated from the sale of ICV data platforms to approximately RMB17.8 million for FY2023 was primarily attributable to the completion of the sale for Project M and Project N during FY2023 which in aggregate contributed revenue of approximately RMB16.6 million for FY2023. The increase in our revenue from the sale of ICV data platforms from approximately RMB9.7 million for 6M2023 to approximately RMB10.9 million for 6M2024 was primarily attributable to the increase in revenue generated from Project R and Project T.

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In 2022, we also started to offer other products, such as certain hardware parts and components (such as servers, central processing units (CPU) and computer memory (i.e. random access memory (RAM))). Our value-added services provided before selling the other products to our customers mainly consist of (i) hardware customisation services, through which we advise customers on the selection of suitable hardware parts and components based on the specific needs and requirements of our customers; and (ii) integration, adaptation and debugging services which primarily include assisting customers in integrating the hardware parts and components purchased from our Group with the hardware or software parts and components obtained from other sources with a view to ensuring the overall compatibility and the smooth functioning of the final product. To the best of our Directors' knowledge, our customers generally use the other products to establish their intelligent connected data centres or intelligent transportation platforms.

In 2023, we also started to offer other products in relation to OTA technology to assist customers in meeting regulatory requirements regarding the filing of information on automotive OTA upgrading.

Please refer to “Business – Our products – ICV data platforms and other products” in this prospectus for further details of our ICV data platforms and other products.

### *Our services*

Our services include the provision of (i) ICV testing and related services; and (ii) advisory and other services. We believe that such add-on services generally offer our customers all-in-one support which in turn strengthen their loyalty.

During the Track Record Period, our revenue generated from the provision of services amounted to approximately RMB4.2 million, RMB24.8 million, RMB55.3 million and RMB13.3 million, respectively, representing approximately 3.9%, 17.1%, 31.5% and 24.0% of our total revenue, respectively.

### *ICV testing and related services*

With our technical expertise and in-depth knowledge of industry compliance standards, we are capable of providing customers with comprehensive ICV testing and related services, including (i) simulation tests and related services; (ii) closed-course site tests and related services; and (iii) platform operation and maintenance services.

Please refer to “Business – Our services – ICV testing and related services” in this prospectus for further details of our ICV testing and related services.

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### *Advisory and other services*

As a market player which has been engaged in the ICV testing, validation and evaluation solutions industry in the PRC since its early development stage, we pride ourselves in having obtained in-depth knowledge and understanding of the domestic and international industry standards as well as the evolving laws and regulations and policy trends that govern the ICV industry. Since January 2019, we began to offer advisory and other services to PRC government authorities or SOEs in the public sector and automotive manufacturers in the private sector.

In respect of our advisory services, we assisted automotive manufacturers in understanding and complying with the ICV-related domestic and international laws, regulations and/or standards, in particular those relating to software upgrade, OTA technology, simulation testing, SOTIF, FuSa, cyber security and data security matters concerning ICVs.

In respect of our other services, we assist government authorities or their SOEs in organising conferences and seminars in the ICV and related industries. In 2021, leveraging our software platforms used for drone-related operation management and testing which were independently developed based upon our core technologies in ICV testing, validation and evaluation, we also expanded our products and services offerings by starting to provide drone-related services to both public and private sector customers, in response to the increasing use of drones in different industries.

Please refer to “Business – Our services – Advisory and other services” in this prospectus for further details of our advisory and other services.

### **Cost of sales**

During the Track Record Period, our cost of sales amounted to approximately RMB42.9 million, RMB50.0 million, RMB51.1 million and RMB16.5 million, respectively. The following table sets forth a breakdown of our cost of sales by cost nature for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Amortisation and depreciation	135	0.3	12,906	25.8	10,185	19.9	4,725	56.0	6,509	39.5
Procurement costs	35,230	82.2	28,603	57.2	23,455	45.9	124	1.5	7,478	45.3
Staff costs	3,993	9.3	3,979	8.0	16,082	31.4	2,806	33.2	1,810	11.0

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	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
External R&D										
costs	2,487	5.8	–	–	–	–	–	–	–	–
Professional fees	810	1.9	4,145	8.3	1,059	2.1	663	7.9	473	2.9
Other costs	207	0.5	376	0.7	358	0.7	125	1.4	226	1.3
Total	<u>42,862</u>	<u>100.0</u>	<u>50,009</u>	<u>100.0</u>	<u>51,139</u>	<u>100.0</u>	<u>8,443</u>	<u>100.0</u>	<u>16,496</u>	<u>100.0</u>

During the Track Record Period, our cost of sales primarily comprised:

- (i) our amortisation and depreciation mainly representing amortisation of our intangible assets directly related to the development of our products and services and depreciation of right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement;
- (ii) our procurement costs primarily representing costs of hardware, servers, components and software purchased from third party suppliers for our products and services;
- (iii) our staff costs primarily representing salaries, wages and other staff benefits paid to our direct labour;
- (iv) our external R&D costs primarily representing costs of outsourcing non-core/rudimentary R&D exercises to third parties for the development of our products and services;
- (v) our professional fees primarily representing consultancy and service costs incurred to third parties in relation to the development of our products and services; and
- (vi) our other costs primarily representing our business travel expenses, office expenses and miscellaneous costs directly related to the development of our products and services.

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Our Group recorded a strong increase in our amortisation and depreciation from approximately RMB0.1 million for FY2021 to approximately RMB12.9 million for FY2022, which was primarily attributable to the recognition of our depreciation of right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022. The decrease in our amortisation and depreciation to approximately RMB10.2 million for FY2023 was primarily attributable to the decrease in our depreciation of right-of-use assets in respect of the Shunyi Testing Site attributable to the extension of lease term of the Shunyi Agreement during FY2023. The increase in our amortisation and depreciation from approximately RMB4.7 million for 6M2023 to approximately RMB6.5 million for 6M2024 was primarily attributable to the increase in the amortisation of our internally generated intangible assets of approximately RMB1.3 million.

The decrease in our procurement costs from approximately RMB35.2 million for FY2021 to approximately RMB28.6 million for FY2022 was primarily attributable to (i) the slight decrease in our revenue from the sale of ICV data platforms and other products for FY2022 that incurred a higher degree of procurement costs for the procurement of hardware and servers for FY2022; and (ii) the decrease in our procurement costs of hardware, components and software incurred for our products of ICV simulation testing software and platforms sold during FY2022. The further decrease in our procurement costs to approximately RMB23.5 million for FY2023 was primarily attributable to the fact that a majority of our total procurement costs in FY2022 was incurred for the supply of hardware parts and components in respect of the three projects of other products (including Project G and Project J) during FY2022, which was partially offset by the increase in our procurement costs of hardware, components and software incurred for ICV simulation testing platforms (mainly Project K) sold during FY2023. The increase in our procurement costs from approximately RMB0.1 million for 6M2023 to approximately RMB7.5 million for 6M2024 was primarily attributable to the increase in our procurement costs of hardware and software incurred for the sales of our standalone software products in relation to Project Q.

The strong increase in our staff costs from approximately RMB4.0 million for FY2021 and FY2022 to approximately RMB16.1 million for FY2023 was primarily attributable to more customisation works for our ICV simulation testing platforms and ICV data platforms sold during FY2023 which therefore involved more costs of labour for the development of products. The decrease in our staff costs from approximately RMB2.8 million for 6M2023 to RMB1.8 million for 6M2024 was primarily attributable to the decrease in staff costs in relation to our ICV testing and related services mainly because such services provided to the Relevant Customer involved a higher degree of customisation and deployment of staff in 6M2023, resulting in higher staff costs for 6M2023 as compared to 6M2024.



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### Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin attributable to our products and services for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	Gross		Gross	Gross	Gross		Gross		Gross	
	Gross	profit	Gross	profit	Gross	profit	Gross	profit	Gross	profit
	profit	margin	profit/	margin	profit	margin	profit	margin	profit	margin
	profit		(loss)		profit		profit		profit	
	margin		(loss)	margin	margin		margin		margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Our products										
ICV simulation testing software and platforms	51,633	85.0	78,455	96.7	67,323	67.0	1,640	99.8	22,296	71.2
– ICV simulation testing platforms	33,695	81.3	28,336	92.6	32,802	53.0	–	N/A	16,410	99.1
– Standalone software products	17,938	92.7	50,119	99.2	34,521	89.3	1,640	99.8	5,886	39.9
ICV data platforms and other products	8,987	21.4	11,032	28.0	18,204	91.4	8,850	90.8	10,000	91.7
– ICV data platforms	8,987	21.4	1,274	90.5	16,813	94.5	8,850	90.8	10,000	91.7
– Other products	–	N/A	9,758	25.6	1,391	65.5	–	N/A	–	N/A
	60,620	59.0	89,487	74.2	85,527	71.0	10,490	92.1	32,296	76.5
Our services										
ICV testing and related services	2,098	93.1	(617)	(5.0)	25,647	65.8	903	10.9	1,492	22.5
Advisory and other services	1,326	68.0	6,506	52.5	13,390	82.0	1,791	93.2	5,276	78.8
	3,424	81.4	5,889	23.7	39,037	70.6	2,694	26.3	6,768	50.7
Total/Overall	64,044	59.9	95,376	65.6	124,564	70.9	13,184	61.0	39,064	70.3

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The increase in our gross profit from approximately RMB64.0 million for FY2021 to approximately RMB95.4 million for FY2022 and further to approximately RMB124.6 million for FY2023 was primarily in line with the increase in our revenue. However, we recorded gross loss from the provision of ICV testing and related services of approximately RMB0.6 million for FY2022 since our business operations at the Shunyi Testing Site had been adversely affected by the COVID-19 pandemic (as detailed in “Impacts of the COVID-19 pandemic – (2) Business conducted at the Shunyi Testing Site affected.” in this section above), leading to a relatively lower level of revenue from closed-course site tests and related services of approximately RMB8.6 million for FY2022 as compared to our depreciation of right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement of approximately RMB12.8 million during FY2022. The increase in our gross profit from approximately RMB13.2 million for 6M2023 to approximately RMB39.1 million for 6M2024 was primarily in line with the increase in our revenue.

The increase in our gross profit margin from the sale of ICV simulation testing platforms from approximately 81.3% for FY2021 to approximately 92.6% for FY2022 was primarily attributable to (i) the reduction of our procurement costs in respect of the specific requirements for each platform; and (ii) the reduction of our external R&D costs incurred mainly due to the reduction of outsourcing non-core/rudimentary R&D exercises to third parties in developing of our ICV simulation testing platforms. The decrease in our gross profit margin from the sale of ICV simulation testing platforms to approximately 53.0% for FY2023 was primarily attributable to (i) the increase in our procurement costs incurred mainly due to the fact that Project K sold in FY2023 involved the procurement of required hardware components; and (ii) the increase in our staff costs incurred mainly due to more customisation works for our ICV simulation testing platforms sold during FY2023 which therefore involved more costs of labour in developing our products.

The increase in our gross profit margin from the sale of standalone software products from approximately 92.7% for FY2021 to approximately 99.2% for FY2022 was primarily attributable to the decrease in our procurement costs incurred mainly due to the fact that a project of the sale of standalone software products for a public sector customer during FY2021 involved the requirement for the procurement of related hardware components. The decrease in our gross profit margin from the sale of standalone software products to approximately 89.3% for FY2023 was primarily attributable to the sale of certain customised standalone software products during FY2023 which involved a higher degree of staff costs and procurement costs as compared to the sale of standardised version of *Sim Pro/Safety Pro* software products during FY2022. The decrease in our gross profit margin from the sale of standalone software products from approximately 99.8% for 6M2023 to approximately 39.9% for 6M2024 was mainly because Project Q required a higher degree of customisation and procurement of hardware and software while the products sold in 6M2023 were standardised products with limited costs incurred.

The increase in our gross profit margin from the sale of ICV data platforms from approximately 21.4% for FY2021 to approximately 90.5% and 94.5% for FY2022 and FY2023, respectively, was primarily attributable to the fact we only delivered software of the ICV data platforms to our customers during FY2022 and FY2023 without incurring any procurement costs of hardware and servers while the ICV data platforms sold during FY2021 involved a

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higher degree of procurement of hardware and servers according to customers' requirements. Our gross profit margin from the sale of ICV data platforms remained relatively stable at approximately 90.8% for 6M2023 and 91.7% for 6M2024.

The composition of our products and services sold during a particular year may have a significant impact on our overall gross profit margin for the said year.

For the sale of our products, during the Track Record Period, in general, we generated a relatively lower gross profit margin from the sale of our products which involved a higher degree of staff costs and procurement costs. In particular, we would generate a relatively higher gross profit margin from the sale of ICV simulation testing software and platforms for a particular year with a higher revenue proportion from the sale of standalone ICV simulation testing software for the said year since we generally incur limited procurement costs of hardware components for standalone ICV simulation testing software.

For the provision of our services, (i) the fluctuation in our gross profit margin from the provision of ICV testing and related services is highly dependent on the number of projects of closed-course site tests and related services performed during a particular year since we would incur a significant fixed cost of depreciation of right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement for each year; and (ii) the fluctuation in our gross profit margin from the provision of advisory and other services is dependent on the nature of service specifications, which may vary in different projects from time to time, leading to the requirement of different level of staff deployment and needs of external services required by our Group.

### Other income

During the Track Record Period, our other income amounted to approximately RMB14.5 million, RMB12.6 million, RMB40.9 million and RMB13.5 million, respectively. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Government grants	13,166	90.8	9,171	72.9	31,338	76.7	12,538	60.2	10,335	76.7
VAT refund	324	2.2	2,061	16.4	8,595	21.0	7,850	37.7	1,621	12.0
Interest income from wealth management products	991	6.8	1,325	10.5	894	2.2	384	1.8	549	4.1
Others	25	0.2	28	0.2	44	0.1	43	0.3	977	7.2
Total	<u>14,506</u>	<u>100.0</u>	<u>12,585</u>	<u>100.0</u>	<u>40,871</u>	<u>100.0</u>	<u>20,815</u>	<u>100.0</u>	<u>13,482</u>	<u>100.0</u>

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Our other income primarily consisted of (i) our government grants mainly in relation to Income from Government, rental subsidies and other government grants provided by government authorities; (ii) our VAT refund in respect of the sale of self-developed software products at a prescribed percentage of our revenue which is recurring in nature; and (iii) our interest income from principal guaranteed wealth management products purchased from commercial banks in the PRC.

### *Government grants*

The following table sets forth a breakdown of our government grants for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Government Contract 1	10,000	76.0	–	–	–	–	–	–	–	–
Government Contract 2	375	2.8	887	9.7	658	2.1	333	2.7	61.0	0.6
Government Contract 3	990	7.6	907	9.9	2,653	8.5	2,524	20.1	–	–
Government Contract 4	–	–	366	4.0	515	1.6	288	2.3	–	–
Government Contract 5	–	–	1,283	14.0	1,892	6.0	946	7.5	946	9.2
Government Contract 6	–	–	980	10.7	–	–	–	–	710	6.9
Government Contract 7	–	–	94	1.0	819	2.6	462	3.7	287	2.8
Government Contract 8	–	–	477	5.2	13,370	42.7	2,278	18.2	5,727	55.4
Government Contract 9	–	–	–	–	5,500	17.6	4,302	34.3	–	–
Government Contract 10	–	–	–	–	1,141	3.6	–	–	1,613	15.6
Government Contract 11	–	–	–	–	216	0.7	–	–	298	2.9
Government Contract 12	–	–	–	–	–	–	–	–	23	0.2
Government Contract 13	–	–	–	–	–	–	–	–	13	0.1
Income from										
Government	11,365	86.4	4,994	54.5	26,764	85.4	11,133	88.8	9,678	93.7
Rental subsidies	1,374	10.4	1,123	12.2	1,123	3.6	–	–	–	–
Other government grants	427	3.2	3,054	33.3	3,451	11.0	1,405	11.2	657	6.3
Total	13,166	100.0	9,171	100.0	31,338	100.0	12,538	100.0	10,335	100.0

To the best knowledge, information and belief of our Directors and having made all reasonable enquiries, during the Track Record Period, all government grants received by us were granted in accordance with relevant policies issued by competent PRC government authorities or with applicable financial incentive agreements entered into by us and the competent PRC government authorities. During the Track Record Period and up to the Latest Practicable Date, none of such government grants has been revoked, abolished or challenged by any laws or government authorities.

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### *Income from Government*

#### Key factors for the categorisation of income as “revenue” or “other income”

During the Track Record Period, our Income from Government amounted to approximately RMB11.4 million, RMB5.0 million, RMB26.8 million and RMB9.7 million, respectively, which is categorised as government grants or other income in our consolidated statements of comprehensive income in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* instead of revenue. Our Directors have carefully assessed and analysed the basis and the main differences in the nature of services/tasks performed that were accounted for as “revenue” and those accounted for as “other income”.

To differentiate the income from products or services generated from government authorities that was accounted for as “revenue” or “other income” from the accounting perspective,

- (i) for revenue contracts, they mainly represents the sale of ICV simulation testing software and platforms and ICV data platforms and other products, and the provision of ICV testing and related services, and advisory and other services to public or private sector customers. These products or services contracts include enforceable rights and obligations for both parties and there is transfer of control of products or services to the contracting parties.
- (ii) for Government Contracts, there is no transfer of controls to the contracting PRC government authorities and our Group is entitled to such income in return for compliance with those tasks listed out by the government authorities in the Government Contracts. The contracting PRC government authorities do not direct the use of, and/or do not obtain substantially all of the remaining direct benefits from those tasks. Accordingly, we consider that Income from Government falls into the scope of IAS 20 as it meets the definition of “assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity” under paragraph 3 of IAS 20.

Although under some Government Contracts the contracting government authorities may receive the relevant services/tasks, our Directors consider that the performance of Government Contracts does not involve transfer of control of products or services to the contracting government authorities in accordance with IFRS15 *Revenue from Contracts with Customers* due to the fact that the contracting PRC government authorities do not direct the use of, and/or do not obtain substantially all of the remaining direct benefits from those services/tasks. In particular, (i) for Government Contract 8, the IP rights and the ownership of the simulation testing platform targeting the intelligent algorithms of ICVs developed belong to our Company; and (ii) for Government Contract 9, (a) the vehicle and key parts monitoring data platform is operated by a PRC government-affiliated institution with the assistance of our Company; (b)

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such PRC government-affiliated institution was the lead contractor instead of the management unit under Government Contract 9; and (c) the right of use of this platform is owned by both our Company and such PRC government-affiliated institution as they jointly achieved the R&D of this platform. Further, according to paragraph 6 of IFRS15, a “customer” is a party that has contracted with an entity to obtain goods or services that are an output of the entity’s ordinary activities in exchange for consideration. The contracting government authorities to the Government Contracts generally do not obtain goods or services from us but instead require that we perform the relevant tasks stipulated in the Government Contracts. Accordingly, our Directors are of the view that such government authorities do not meet the definition of “customer” under IFRS15. Based on the analysis above, we consider that Income from Government does not fall within the scope of IFRS15.

Based on the terms of our Government Contracts, other than Government Contract 1, the recognition of the income generated from the other Government Contracts during the Track Record Period as “other income” is solely due to the reason that “there is no transfer of control of products or services to the PRC government authorities”. For Government Contract 1, notwithstanding that the ICV data service regulatory platform was delivered to the Management Committee as one of the additional services/tasks performed as stipulated in the supplementary confirmation letter issued by the Management Committee (the “**Additional Services/Tasks**”), our Directors also consider other reasons for recognising the income as “other income” instead of “revenue”, including (i) the Additional Services/Tasks were not the pre-conditions for the entitlement to the income of RMB15 million as stated in the original contract; and (ii) there were no enforceable terms and contractual obligations for the provision of the Additional Services/Tasks.

For further details of our Government Contracts, please refer to “Business – Income from Government” in this prospectus.

### *Rental subsidies*

During the Track Record Period, our rental subsidies amounted to approximately RMB1.4 million, RMB1.1 million, RMB1.1 million and nil, respectively. In July 2021, a Beijing municipal government authority and a local government authority in Zhongguancun, Beijing launched measures to support qualified high-tech entities (including our Company) located in Zhongguancun, Beijing by providing rental subsidies, which represent 50% of the rental expenses incurred, for three years which our Company expects to continue in the foreseeable future.

As such rental expenses are incurred for leasing of our Company’s head office, which is our headquarters and principal place of business for carrying our daily business activities and R&D within the ordinary and usual course of business, we consider that our rental subsidies were generated in the ordinary and usual course of our business during the Track Record Period.

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### *Other government grants*

During the Track Record Period, our other government grants amounted to approximately RMB0.4 million, RMB3.1 million, RMB3.5 million and RMB0.7 million, respectively, which primarily represented (i) one-off government subsidies of approximately RMB1.6 million and RMB2.0 million awarded by a Beijing municipal government authority during FY2022 and FY2023, respectively, for rewarding qualified innovative and R&D enterprises under various local governmental campaigns and funds; (ii) government grants of approximately RMB0.4 million, RMB0.3 million, RMB25,000 and nil for the Track Record Period, respectively, in relation to the funding of industrial robotic research (which is not directly related to our Group's principal business); (iii) an one-off government subsidy of approximately RMB0.2 million awarded by a local government authority in Zhongguancun, Beijing during FY2022 in respect of the cultivation of the "Little Upgrade" of High and New Technology Enterprises (高新技術企業“小升規”培育); (iv) one-off government subsidies of approximately RMB0.3 million, RMB0.6 million and RMB0.1 million awarded by a Hangzhou municipal government authority during FY2022, FY2023 and 6M2024, respectively, in respect of the provision of various financial assistance to qualified technology companies or High and New Technology enterprises in Hangzhou; and (v) other miscellaneous government grants and subsidies of approximately RMB55,000, RMB0.7 million, RMB0.8 million and RMB0.6 million for the Track Record Period, respectively.

Since the aforesaid other government grants are generally one-off nature or not directly related to our Group's principal business, we consider that, in general, our other government grants during the Track Record Period were not generated over the ordinary and usual course of our business.

### **Other gains/(losses), net**

During the Track Record Period, our other net gains/(losses) amounted to approximately RMB5.4 million, RMB5.5 million, RMB1.2 million and RMB(0.4) million, respectively. The following table sets forth a breakdown of our other net gains/(losses) for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Fair value changes on										
financial assets at fair										
value through profit or										
loss										
– Unlisted equity										
securities	5,454	101.1	5,173	94.9	1,260	105.7	1,193	101.6	(448)	99.8
Others	(59)	(1.1)	277	5.1	(68)	(5.7)	(19)	(1.6)	(1)	0.2
Total	<u>5,395</u>	<u>100.0</u>	<u>5,450</u>	<u>100.0</u>	<u>1,192</u>	<u>100.0</u>	<u>1,174</u>	<u>100.0</u>	<u>(449)</u>	<u>100.0</u>

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Our other net gains/(losses) primarily consisted of our gains/losses on fair value changes on financial assets at fair value through profit or loss in relation to our long-term unlisted equity securities in connection with the investment of Guoqi Intelligent Control. For further details of our financial assets at fair value through profit or loss, please refer to “Discussion of selected items of consolidated balance sheets – Financial assets at fair value through profit or loss” in this section below.

### Selling and marketing expenses

During the Track Record Period, our selling and marketing expenses amounted to approximately 2.3%, 4.5%, 4.4% and 9.3% of our total revenue, respectively. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Staff costs	1,854	75.4	5,228	80.3	5,446	70.4	1,995	74.1	3,708	71.5
Business travel and entertainment expenses	138	5.6	470	7.2	974	12.6	199	7.4	500	9.7
Depreciation	203	8.3	393	6.0	602	7.8	230	8.5	406	7.8
Rental and property expenses	125	5.1	265	4.1	272	3.5	114	4.2	181	3.5
Professional services and consulting fees	11	0.4	54	0.8	261	3.4	99	3.7	101	2.0
Other expenses <sup>(Note)</sup>	127	5.2	98	1.6	176	2.3	56	2.1	283	5.5
Total	<u>2,458</u>	<u>100.0</u>	<u>6,508</u>	<u>100.0</u>	<u>7,731</u>	<u>100.0</u>	<u>2,693</u>	<u>100.0</u>	<u>5,179</u>	<u>100.0</u>

*Note:* Our other expenses primarily comprised our office expenses and other miscellaneous expenses.

During the Track Record Period, our selling and marketing expenses primarily consisted of:

- (i) our staff costs mainly including the salaries and wages of our sales and marketing staff;
- (ii) our business travel and entertainment expenses mainly representing travel, business entertainment and accommodation expenses incurred by our sales and marketing staff;



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- (iii) our depreciation mainly representing depreciation of right-of-use assets for selling and marketing purposes;
- (iv) our rental and property expenses mainly representing short-term rental and property management fees in respect of sales and marketing staff quarters; and
- (v) our professional services and consulting fees mainly representing the fees paid/payable to third party service providers and consultants for sales and marketing support and consultancy services.

### General and administrative expenses

During the Track Record Period, our general and administrative expenses amounted to approximately 14.8%, 18.0%, 17.9% and 26.7% of our total revenue, respectively. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Employee benefit expenses	7,995	50.6	12,919	49.4	15,424	49.0	7,129	58.9	7,564	51.0
Amortisation and depreciation	1,677	10.6	4,941	18.9	9,426	30.0	2,557	21.1	2,985	20.1
Legal and professional fees	1,630	10.3	1,735	6.6	830	2.6	294	2.4	1,269	8.5
Business travel and entertainment expenses	1,251	7.9	1,518	5.8	1,836	5.8	915	7.6	836	5.6
Rental and property expenses	1,407	8.9	1,420	5.4	906	2.9	480	4.0	802	5.4
Other taxes and surcharges	602	3.8	1,387	5.3	512	1.6	198	1.6	334	2.3
Listing expenses	–	–	573	2.2	606	1.9	31	0.3	155	1.0
Other expenses <sup>(Note)</sup>	1,254	7.9	1,674	6.4	1,932	6.2	493	4.1	905	6.1
Total	<u>15,816</u>	<u>100.0</u>	<u>26,167</u>	<u>100.0</u>	<u>31,472</u>	<u>100.0</u>	<u>12,097</u>	<u>100.0</u>	<u>14,850</u>	<u>100.0</u>

*Note:* Our other expenses primarily comprised our office expenses, recruitment and training expenses and other miscellaneous expenses.

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During the Track Record Period, our general and administrative expenses primarily consisted of:

- (i) our employee benefit expenses mainly including our Directors' emoluments, and salaries and wages and share-based payment expenses of our administrative and management staff;
- (ii) our amortisation and depreciation mainly representing amortisation of our intangible assets and depreciation of equipment and right-of-use assets for general business operation purposes;
- (iii) our legal and professional fees mainly representing fees payable to third party professional parties for general legal services, valuation services, business consulting services, office and labour services and certification services, etc.;
- (iv) our business travel and entertainment expenses mainly representing travel, business entertainment and accommodation expenses incurred by our administrative and management staff;
- (v) our rental and property expenses mainly representing short-term rental and property management fees in respect of administrative and management staff quarters;
- (vi) our other taxes and surcharges mainly including stamp duty and other PRC surtaxes; and
- (vii) our listing expenses mainly representing professional expenses incurred directly associated with the Global Offering which were not incremental costs related to the Share issue, such as initial listing fees incurred to Stock Exchange.

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### R&D expenses

During the Track Record Period, our R&D expenses amounted to approximately 25.4%, 21.3%, 40.6% and 74.0% of our total revenue, respectively. The following table sets forth a breakdown of our R&D expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	19,572	72.1	19,905	64.4	37,193	52.1	18,312	55.7	20,230	49.3
Amortisation and depreciation	5,328	19.6	6,286	20.3	18,229	25.6	8,490	25.8	16,302	39.7
Procurement costs	214	0.8	980	3.2	836	1.2	763	2.3	656	1.6
Professional fees	69	0.3	1,054	3.4	1,707	2.4	85	0.3	3,089	7.5
Commissioned external R&D expenses	976	3.6	1,790	5.8	11,152	15.6	4,309	13.1	140	0.3
Other expenses <sup>(Note)</sup>	968	3.6	888	2.9	2,214	3.1	939	2.8	689	1.6
Total	<u>27,127</u>	<u>100.0</u>	<u>30,903</u>	<u>100.0</u>	<u>71,331</u>	<u>100.0</u>	<u>32,898</u>	<u>100.0</u>	<u>41,106</u>	<u>100.0</u>

*Note:* Our other expenses primarily comprised our office expenses, rental and property expenses, business travel expenses and other miscellaneous expenses.

During the Track Record Period, our R&D expenses primarily consisted of:

- (i) our staff costs mainly including the salaries and wages of our R&D staff;
- (ii) our amortisation and depreciation mainly representing amortisation of our intangible assets and depreciation of equipment and right-of-use assets for government-commissioned projects and R&D purposes;
- (iii) our procurement costs mainly representing costs of hardware, servers, components and software purchased from third party suppliers for R&D purposes;
- (iv) our professional fees mainly representing consultancy and service costs incurred to third parties for R&D purposes; and
- (v) our commissioned external R&D expenses mainly representing expenses of outsourcing general R&D, processing, testing and verification exercises to third parties.

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### Credit loss allowance (recognised)/reversed, net

During the Track Record Period, our credit loss allowance (recognised)/reversed, net amounted to approximately RMB(0.2) million, RMB(2.0) million, RMB(7.0) million and RMB1.9 million, respectively.

Our credit loss allowance primarily represented the provision for expected credit loss estimated by our Group on our contract assets, trade and notes receivables and other receivables in accordance with IFRS 9. For details of our credit risks, please refer to note 3.1(b) to the Accountant's Report in Appendix I to this prospectus.

### Share of profits/(loss) of investments accounted for using the equity method

During FY2022, FY2023 and 6M2024, our share of profits/(loss) of investments accounted for using the equity method amounted to approximately RMB0.4 million, RMB33,000 and RMB(0.7) million, respectively, which represented the share of the profit/(loss) of our associate, Beijing Dysprosium, for FY2022, FY2023 and 6M2024. We did not record any share of profit/(loss) of our associate during FY2021 as Beijing Dysprosium did not commence operation during FY2021 since its date of establishment of 12 April 2021.

For details of our investment in Beijing Dysprosium, please refer to "Discussion of selected items of consolidated balance sheets – Investment in an associate" in this section below.

### Finance income/(costs), net

The following table sets forth a breakdown of our net finance income for the periods indicated:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<i>Finance income:</i>					
Interest income from bank deposits	1,045	2,132	3,123	2,147	1,707
<i>Finance costs:</i>					
Interest expense on lease liabilities	(271)	(1,586)	(1,448)	(692)	(678)
Others	(17)	(94)	(22)	(12)	(6)
Subtotal	(288)	(1,680)	(1,470)	(704)	(684)
Total	757	452	1,653	1,443	1,023

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Our finance income represented our interest income generated from bank deposits, while our finance costs primarily consisted of our interest expense on lease liabilities mainly in relation to the Shunyi Testing Site and the leases of our office premises.

### Income tax expenses/Income tax credit

The following table sets forth a breakdown of our income tax expenses/(credit) and effective income tax rate for the periods indicated:

	Year ended 31 December			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax:					
– EIT	1,560	–	–	–	–
Deferred income tax:					
– Credit for current year/period	–	–	(2,676)	(913)	(2,147)
Total	<u>1,560</u>	<u>–</u>	<u>(2,676)</u>	<u>(913)</u>	<u>(2,147)</u>
Effective income tax rate <sup>(Note)</sup>	4.0%	–	N/A	N/A	N/A

*Note:* Our effective income tax rate equals to our income tax expenses divided by our profit before income tax. Since we recorded income tax credit for FY2023, 6M2023 and 6M2024, no effective income tax rate is presented.

During the Track Record Period, our income tax expenses or income tax credit comprised our EIT and deferred income tax recognised for the year/period.

Pursuant to the EIT Law, our Company and its subsidiaries in the PRC are generally subject to EIT at the statutory rate of 25%. The EIT Law provides that entities recognised as software enterprises are able to enjoy an EIT holiday consisting of a two-year exemption commencing from their first profitable calendar year and a 50% reduction in ordinary EIT rate for the following three calendar years. Enterprises that qualify as Key Software Enterprises\* (重點軟件企業) are exempted from EIT for five years since their first profit-generating year and are entitled to a preferential EIT rate of 10% afterwards.

Since our Company (i) is qualified as a software enterprise; and (ii) had been approved as a Key Software Enterprise\* (重點軟件企業) in 2022, it was exempted from EIT commencing from the first profit-generating year (i.e. 2019) and enjoys a five-year exemption until 2023.

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Our Directors confirm that as at the Latest Practicable Date, (i) we have made all required tax filings under the relevant tax laws and regulations in the PRC and has paid all outstanding tax liabilities due; and (ii) we are not subject to any tax-related dispute, penalty or pending proceeding against our Group with the tax authorities in the PRC.

### SENSITIVITY ANALYSIS

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of 5% and 10% in (i) our revenue; (ii) our procurement costs in our cost of sales; and (iii) our salaries, wages and other benefits (excluding share-based payment expenses), with other variables remaining constant, on our profit before income tax for the periods indicated:

	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue:					
+5%	5,345	7,269	8,785	1,081	2,778
-5%	(5,345)	(7,269)	(8,785)	(1,081)	(2,778)
+10%	10,691	14,539	17,570	2,163	5,556
-10%	(10,691)	(14,539)	(17,570)	(2,163)	(5,556)
Procurement costs:					
+5%	(1,762)	(1,430)	(1,173)	6	(374)
-5%	1,762	1,430	1,173	(6)	374
+10%	(3,523)	(2,860)	(2,346)	12	(748)
-10%	3,523	2,860	2,346	(12)	748
Salaries, wages and other benefits (excluding share-based payment expenses):					
+5%	(1,661)	(2,636)	(3,567)	(1,488)	(1,635)
-5%	1,661	2,636	3,567	1,488	1,635
+10%	(3,321)	(5,271)	(7,135)	(2,977)	(3,271)
-10%	3,321	5,271	7,135	2,977	3,271

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### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

**Six months ended 30 June 2024 compared to six months ended 30 June 2023**

#### *Revenue*

Our total revenue increased by approximately RMB34.0 million or approximately 156.9% from approximately RMB21.6 million for 6M2023 to approximately RMB55.6 million for 6M2024, which was primarily attributable to:

- (i) the increase in our revenue generated from the sale of products by approximately RMB30.8 million (or approximately 270.8%) from approximately RMB11.4 million for 6M2023 to approximately RMB42.2 million for 6M2024 mainly because of (a) the increase in our revenue generated from the sale of ICV simulation testing platforms by approximately RMB16.6 million from Project P; and (b) the increase in our revenue generated from sale of standalone software products by approximately RMB13.1 million mainly from Project Q; and
- (ii) the increase in our revenue generated from the provision of services by approximately RMB3.1 million (or approximately 30.2%) from approximately RMB10.2 million for 6M2023 to approximately RMB13.3 million for 6M2024 mainly because of the increase in our revenue generated from advisory and other services by approximately RMB4.8 million in relation to Project S and increase in revenue from drone-related services, partially offset by the decrease in our revenue from ICV testing and related services by approximately RMB1.7 million.

#### *Cost of sales*

Our cost of sales increased by approximately RMB8.1 million (or approximately 95.4%) from approximately RMB8.4 million for 6M2023 to approximately RMB16.5 million for 6M2024, which was mainly attributable to the increase in our revenue as discussed above.

The increase in our cost of sales for 6M2024 was primarily attributable to (i) the increase in our amortisation and depreciation by approximately RMB1.8 million mainly due to the increase in the amortisation of internally generated intangible assets of approximately RMB1.3 million; and (ii) the increase in procurement costs by approximately RMB7.4 million due to the increase in our procurement costs of hardware and software incurred for the sale of standalone software products in relation to Project Q, partially offset by the decrease in staff costs by approximately RMB1.0 million mainly attributable to the decrease in staff costs in relation to ICV testing and related services mainly because the services provided to the Relevant Customer in 6M2023 involved a higher degree of customisation and deployment of staff, resulting in higher staff costs for 6M2023 as compared to 6M2024.

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### *Gross profit and gross profit margin*

Our gross profit increased by approximately RMB25.9 million (or approximately 196.3%) from approximately RMB13.2 million for 6M2023 to approximately RMB39.1 million for 6M2024, which was primarily in line with the increase in our revenue and costs of sales as discussed above.

Our overall gross profit margin increased from approximately 61.0% for 6M2023 to approximately 70.3% for 6M2024, which was primarily attributable to the offsetting effect of the following:

- (i) the revenue generated from ICV simulation testing platforms of approximately RMB16.4 million in 6M2024 which had a gross profit margin of approximately 99.1% while no revenue was generated from ICV simulation testing platforms for 6M2023, which was partially offset by the decrease in our gross profit margin from the sale of standalone software products from approximately 99.8% for 6M2023 to approximately 39.9% for 6M2024 which was mainly because Project Q required a higher degree of customisation and procurement of hardware and software while the products sold in 6M2023 were standardised products with limited costs incurred; and
- (ii) the increase in our gross profit margin from the provision of services from approximately 26.3% for 6M2023 to approximately 50.7% for 6M2024 mainly due to the increase in revenue generated from advisory and other services which had a gross profit margin of approximately 78.8% for 6M2024.

### *Other income*

Our other income decreased by approximately RMB7.3 million (or approximately 35.2%) from approximately RMB20.8 million for 6M2023 to approximately RMB13.5 million for 6M2024, which was primarily attributable to (i) the decrease in our government grants from approximately RMB12.5 million for 6M2023 to approximately RMB10.3 million for 6M2024 mainly because of the decrease in government grants under Government Contract 3 and Government Contract 9 by approximately RMB6.8 million, partially offset by the increase in government grants under Government Contract 8 and Government Contract 10 by approximately RMB5.1 million; and (ii) the decrease in VAT refund from approximately RMB7.9 million for 6M2023 to approximately RMB1.6 million for 6M2024 mainly because the sales of our software products which were regarded as qualified proprietary software sales according to the relevant tax policy decreased in 6M2024 as compared to that in 6M2023.



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### *Other gains/(losses), net*

Our net other gains/(losses) decreased by approximately RMB1.6 million (or approximately 138.2%) from approximately RMB1.2 million for 6M2023 to approximately RMB(0.4) million for 6M2024, which was primarily attributable to the decrease in fair value changes on financial assets at fair value through profit or loss in connection with our investment in Guoqi Intelligent Control from a gain of approximately RMB1.2 million for 6M2023 to a loss of approximately RMB0.4 million for 6M2024.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by approximately RMB2.5 million (or approximately 92.3%) from approximately RMB2.7 million for 6M2023 to approximately RMB5.2 million for 6M2024, which was primarily attributable to (i) the increase in staff costs from approximately RMB2.0 million for 6M2023 to approximately RMB3.7 million for 6M2024 mainly due to the expansion of our sales and marketing team along with the growth of our business; and (ii) the increase in our business travel and entertainment expenses from approximately RMB0.2 million for 6M2023 to approximately RMB0.5 million for 6M2024 mainly due to the increase in our expenses on business meetings and business travels of our sales and marketing team for our business development.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately RMB2.8 million (or approximately 22.8%) from approximately RMB12.1 million for 6M2023 to approximately RMB14.9 million for 6M2024, which was primarily attributable to (i) the increase in our legal and professional fees from approximately RMB0.3 million for 6M2023 to approximately RMB1.3 million for 6M2024 mainly due to the fees incurred for the renewal of our qualifications and certificates, and participation in exhibitions; (ii) the increase in our employee benefit expenses from approximately RMB7.1 million for 6M2023 to approximately RMB7.6 million for 6M2024 mainly due to the salary increment of our administrative staff; and (iii) the increase in our amortisation and depreciation from approximately RMB2.6 million for 6M2023 to approximately RMB3.0 million for 6M2024 mainly due to the additions of equipment and intangible assets for administrative purposes in response to our business expansion and the expansion of the gross floor area of our Haidian Office in Beijing.

### *R&D expenses*

Our R&D expenses increased by approximately RMB8.2 million (or approximately 24.9%) from approximately RMB32.9 million for 6M2023 to approximately RMB41.1 million for 6M2024, which was primarily attributable to (i) the increase in our amortisation and depreciation from approximately RMB8.5 million for 6M2023 to approximately RMB16.3 million for 6M2024 mainly due to the additions of equipment and intangible assets in relation to government-commissioned projects and for R&D purposes; and (ii) the increase in our professional fees from approximately RMB0.1 million for 6M2023 to approximately RMB3.1

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million for 6M2024 mainly because of the increase in fees incurred for computing power enhancement related services, partially offset by the decrease in our commissioned external R&D expenses from approximately RMB4.3 million for 6M2023 to approximately RMB0.1 million for 6M2024 mainly because of the decrease in processing, testing and verification fees of government commissioned projects.

### *Credit loss allowance (recognised)/reversed*

We recorded credit loss allowance (recognised) of approximately RMB2.3 million for 6M2023 and credit loss allowance reversed of approximately RMB1.9 million for 6M2024, which was mainly because of the collection of long outstanding trade and notes receivables aged over two years as at 31 December 2023 from an SOE customer in Changsha, Hunan (“Customer Y”) during 6M2024.

### *Share of profits/(loss) of investments accounted for using the equity method*

Our share of profits/(loss) of investments accounted for using the equity method decreased by approximate RMB2.1 million (or approximately 146.9%) from approximately RMB1.4 million for 6M2023 to approximately RMB(0.7) million for 6M2024, which was mainly because our share of the profit of our associate, namely Beijing Dysprosium, for 6M2023 turned into a loss for 6M2024.

### *Finance income, net*

Our net finance income decreased by approximately RMB0.4 million (or approximately 29.1%) from approximately RMB1.4 million for 6M2023 to approximately RMB1.0 million for 6M2024, which was primarily attributable to the decrease in our interest income on bank deposits from approximately RMB2.1 million for 6M2023 to approximately RMB1.7 million for 6M2024 mainly due to decreases in the interest rate.

### *Income tax credit*

During 6M2023, we recorded income tax credit of approximately RMB0.9 million which was attributable to the recognition of deferred income tax assets of approximately RMB0.9 million as at 30 June 2023. During 6M2024, we recorded income tax credit of approximately RMB2.1 million which was attributable to the recognition of deferred income tax assets of approximately RMB2.1 million as at 30 June 2024.

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### *Loss for the period*

Our loss for the period decreased by approximately RMB6.5 million (or approximately 58.4%) from approximately RMB11.1 million for 6M2023 to approximately RMB4.6 million for 6M2024, which was primarily attributable to (i) the increase in our gross profit by approximately RMB25.9 million; and (ii) the credit loss allowance reversed of approximately RMB1.9 million for 6M2024 as compared to a credit loss allowance recognised of approximately RMB2.3 million for 6M2023, partially offset by (i) the decrease in our other income by approximately RMB7.3 million; and (ii) the increase in our R&D expenses by approximately RMB8.2 million.

### **Year ended 31 December 2023 compared to Year ended 31 December 2022**

#### *Revenue*

Our total revenue increased by approximately RMB30.3 million (or approximately 20.9%) from approximately RMB145.4 million for FY2022 to approximately RMB175.7 million for FY2023, which was primarily attributable to:

- (i) our stable revenue generated from the sale of products amounting to approximately RMB120.6 million and RMB120.4 million for FY2022 and FY2023, respectively, mainly due to the offsetting effect of (a) the decrease in our revenue generated from the sale of ICV data platforms and other products by approximately RMB19.5 million mainly due to the decrease in our revenue from other products by approximately RMB35.9 million which was associated with the completion of two major projects of other products, namely Project G and Project J (in aggregate contributing revenue of approximately RMB31.3 million for FY2022), during FY2022 as detailed in “Business – Our products – ICV data platforms and other products – Other products – Our customers of the other products of hardware parts and components” in this prospectus, partially offset by the increase in our revenue generated from the sale of ICV data platforms by approximately RMB16.4 million mainly due to the completion of the sale for Project M and Project N during FY2023 (in aggregate contributing revenue of approximately RMB16.6 million for FY2023); and (b) the increase in our revenue generated from the sale of ICV simulation testing software and platforms by approximately RMB19.4 million mainly due to the increase in our revenue generated from the sale of ICV simulation testing platforms by approximately RMB31.3 million mainly due to the increase in the number of our projects of ICV simulation testing platforms, mainly including Project K (contributing revenue of approximately RMB40.0 million for FY2023), partially offset by the decrease in our revenue generated from the sale of standalone software products by approximately RMB11.9 million mainly due to the completion of the sale of two major projects of standalone software products, namely Project H and Project I for FY2022 (in aggregate contributing revenue of approximately RMB31.0 million for FY2022) despite the increase in the number of our projects of standalone software products from five for FY2022 to 15 for FY2023; and

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- (ii) the increase in our revenue generated from the provision of services by approximately RMB30.5 million (or approximately 122.7%) from approximately RMB24.8 million for FY2022 to approximately RMB55.3 million for FY2023 mainly due to the increase in our revenue generated from the provision of ICV testing and related services by approximately RMB26.5 million mainly as a result of the increase in our revenue generated from the provision of closed-course site tests and related services from approximately RMB8.6 million for FY2022 to approximately RMB26.9 million for FY2023 mainly due to the increase in the number and the size of our projects of closed-course site tests at the Shunyi Testing Site during FY2023, especially from our major customers, including the Relevant Customer and Customer J, following the ease of COVID-19 related containment measures across China since December 2022.

### *Cost of sales*

Our cost of sales slightly increased by approximately RMB1.1 million (or approximately 2.3%) from approximately RMB50.0 million for FY2022 to approximately RMB51.1 million for FY2023, which was mainly attributable to the increase in our revenue as discussed above.

The increase in our cost of sales was primarily attributable to the increase in our staff costs by approximately RMB12.1 million which was mainly due to more customisation works for our ICV simulation testing platforms and ICV data platforms sold during FY2023 which therefore involved more costs of labour for the development of products, partially offset by (i) the decrease in our procurement costs by approximately RMB5.1 million mainly due to the fact that a majority of our total procurement costs in FY2022 was incurred for the supply of hardware parts and components in respect of the three projects of other products (including Project G and Project J) during FY2022, which was partially offset by the increase in our procurement costs of hardware, components and software incurred for our products of ICV simulation testing platforms (mainly Project K) sold during FY2023; (ii) the decrease in our amortisation and depreciation by approximately RMB2.7 million mainly due to the decrease in our depreciation of right-of-use assets in respect of the Shunyi Testing Site from approximately RMB12.8 million for FY2022 to approximately RMB9.4 million for FY2023 attributable to the extension of lease term of the Shunyi Agreement during FY2023; and (iii) the decrease in our professional fees by approximately RMB3.1 million mainly due to transportation costs paid to our major suppliers (including Supplier C, Supplier D and Supplier E) during FY2022 for their delivery services via drones in relation to a drone-related transport and logistics advisory project for a local government authority in Hangzhou.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately RMB29.2 million (or approximately 30.6%) from approximately RMB95.4 million for FY2022 to approximately RMB124.6 million for FY2023, which was primarily in line with the increase in our revenue as discussed above.

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Our overall gross profit margin increased from approximately 65.6% for FY2022 to approximately 70.9% for FY2023, which was primarily attributable to the offsetting effect of:

- (i) the increase in our gross profit margin from the provision of services from approximately 23.7% for FY2022 to approximately 70.6% for FY2023 mainly due to (a) the increase in our gross profit margin from the provision of ICV testing and related services from approximately (5.0)% for FY2022 to approximately 65.8% for FY2023 mainly due to (1) more business of closed-course site tests and related services at the Shunyi Testing Site following the ease of COVID-19 related containment measures across China since December 2022, resulting in the increase in our revenue generated from the provision for closed-course site tests and related services from approximately RMB8.6 million for FY2022 to approximately RMB26.9 million for FY2023; and (2) the decrease in our depreciation of right-of-use assets in respect of the Shunyi Testing Site from approximately RMB12.8 million for FY2022 to approximately RMB9.4 million for FY2023 attributable to the extension of lease term of the Shunyi Agreement during FY2023; and (b) the increase in our gross profit margin from the provision of advisory and other services from approximately 52.5% for FY2022 to approximately 82.0% for FY2023 mainly due to a relatively lower gross margin generated from a drone-related transport and logistics advisory project for a local government authority in Hangzhou during FY2022 mainly due to the professional fees incurred, which were transportation costs paid to our major suppliers (including Supplier C, Supplier D and Supplier E) for their delivery services via drones; and
- (ii) the decrease in our gross profit margin from the sale of products from approximately 74.2% for FY2022 to approximately 71.0% for FY2023 mainly due to the decrease in our gross profit margin from the sale of ICV simulation testing software and platforms from approximately 96.7% for FY2022 to approximately 67.0% for FY2023 mainly due to the decrease in our gross profit margin from the sale of ICV simulation testing platforms from approximately 92.6% for FY2022 to approximately 53.0% for FY2023 mainly due to (a) the increase in our procurement costs incurred mainly due to the fact that Project K sold in FY2023 involved the procurement of required hardware components; and (b) the increase in our staff costs incurred mainly due to more customisation works for our ICV simulation testing platforms sold during FY2023 which therefore involved more costs of labour in developing our products, partially offset by the increase in our gross profit margin from the sale of ICV data platforms and other products from approximately 28.0% for FY2022 to approximately 91.4% for FY2023 mainly due to the fact that (a) for FY2022, approximately 96.4% of our revenue from the sale of ICV data platforms and other products was contributed by the sale of other products; and (b) our gross profit margin generated from the three projects of other products (including Project G and Project J) was relatively low at approximately 25.6% during FY2022 as a result of the significant procurement costs incurred for the supply of hardware parts and components, while (a) for FY2023, approximately 89.3% of our revenue from the sale of ICV data platforms and other products was contributed by the sale of ICV data platforms; and (b) our gross profit margin generated from the sale of ICV data platforms was relatively higher at approximately 94.5% during FY2023 because we only delivered software of the ICV data platforms to our customers during FY2023 without incurring any procurement costs of hardware and servers.

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### *Other income*

Our other income increased by approximately RMB28.3 million (or approximately 224.8%) from approximately RMB12.6 million for FY2022 to approximately RMB40.9 million for FY2023, which was primarily attributable to (i) the increase in our government grants from approximately RMB9.2 million for FY2022 to approximately RMB31.3 million for FY2023 mainly due to the increase in our Income from Government by approximately RMB21.8 million primarily contributed by Government Contract 3 and Government Contract 8 to Government Contract 10; and (ii) the increase in our VAT refund from approximately RMB2.1 million for FY2022 to approximately RMB8.6 million for FY2023 mainly due to the increase in the sale of self-developed software products during the second half of FY2022 and FY2023 whereas the VAT had been refunded to us during FY2023.

### *Other gains, net*

Our net other gains decreased by approximately RMB4.3 million (or approximately 78.1%) from approximately RMB5.5 million for FY2022 to approximately RMB1.2 million for FY2023, which was primarily attributable to the decrease in our gain on fair value change on financial assets at fair value through profit or loss in connection with our investment in Guoqi Intelligent Control from approximately RMB5.2 million for FY2022 to approximately RMB1.3 million for FY2023.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by approximately RMB1.2 million (or approximately 18.8%) from approximately RMB6.5 million for FY2022 to approximately RMB7.7 million for FY2023, which was primarily attributable to (i) the increase in our business travel and entertainment expenses from approximately RMB0.5 million for FY2022 to approximately RMB1.0 million for FY2023 mainly due to the increase in our expenses on business meetings and business travels of our sales and marketing team for our business development; and (ii) the increase in our staff costs from approximately RMB5.2 million for FY2022 to approximately RMB5.4 million for FY2023 mainly due to the expansion of our sales and marketing team along with the growth of our business.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately RMB5.3 million (or approximately 20.3%) from approximately RMB26.2 million for FY2022 to approximately RMB31.5 million for FY2023, which was primarily attributable to (i) the increase in our employee benefit expenses from approximately RMB12.9 million for FY2022 to approximately RMB15.4 million for FY2023 mainly due to the increase in the number of and the salary increment of our administrative staff; and (ii) the increase in our amortisation and depreciation from approximately RMB4.9 million for FY2022 to approximately RMB9.4 million for FY2023 mainly due to the additions of equipment and intangible assets for administrative purposes in response to our business expansion and the relocation of our headquarters to Haidian Office in Beijing.



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### ***R&D expenses***

Our R&D expenses increased by approximately RMB40.4 million (or approximately 130.8%) from approximately RMB30.9 million for FY2022 to approximately RMB71.3 million for FY2023, which was primarily attributable to (i) the increase in our staff costs from approximately RMB19.9 million for FY2022 to approximately RMB37.2 million for FY2023 mainly due to the increase in the number of our R&D staff in response to the further expansion of our R&D team; (ii) the increase in our amortisation and depreciation from approximately RMB6.3 million for FY2022 to approximately RMB18.2 million for FY2023 mainly due to the additions of equipment in relation to government-commissioned projects and for R&D purposes; and (iii) the increase in our commissioned external R&D expenses from approximately RMB1.8 million for FY2022 to approximately RMB11.2 million for FY2023 mainly due to the increase in our processing, testing and verification fees of government-commissioned projects.

### ***Credit loss allowance (recognised)/reversed***

Our credit loss allowance (recognised) increased by approximately RMB5.1 million (or approximately 259.3%) from approximately RMB2.0 million for FY2022 to approximately RMB7.0 million for FY2023, which was primarily because of the increase in our credit loss allowance on trade and notes receivables mainly due to the increase in the average age of our trade and notes receivables as at 31 December 2023.

### ***Share of profits of investments accounted for using the equity method***

Our share of profits of investments accounted for using the equity method decreased by approximately RMB0.3 million (or approximately 90.7%) from approximately RMB0.4 million for FY2022 to approximately RMB33,000 for FY2023, which was primarily attributable to the decrease in the share of the profit of our associate, namely Beijing Dysprosium, for FY2023 as compared to that for FY2022.

### ***Finance income, net***

Our net finance income increased by approximately RMB1.2 million (or approximately 265.7%) from approximately RMB0.5 million for FY2022 to approximately RMB1.7 million for FY2023, which was primarily attributable to the increase in our interest income on bank deposits from approximately RMB2.1 million for FY2022 to approximately RMB3.1 million for FY2023 mainly due to the increase in our average bank deposits with funds mainly derived from the capital injection of RMB132.0 million through Series A+ Financing from two Shareholders to our Company in March and May 2022.

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### *Income tax credit*

During FY2022, we did not incur any income tax expense, which was primarily attributable to the fact that all of our subsidiaries that are not exempt from EIT were in loss position during FY2022. During FY2023, we recorded income tax credit of approximately RMB2.7 million, which was attributable to the recognition of deferred income tax assets of approximately RMB2.7 million as at 31 December 2023.

### *Profit for the year*

Our profit for the year increased by approximately RMB4.7 million (or approximately 9.7%) from approximately RMB48.7 million for FY2022 to approximately RMB53.4 million for FY2023, which was primarily attributable to (i) the increase in our gross profit by approximately RMB29.2 million; and (ii) the increase in our other income by approximately RMB28.3 million, partially offset by the increase in our R&D expenses by approximately RMB40.4 million.

### **Year ended 31 December 2022 compared to year ended 31 December 2021**

### *Revenue*

Our total revenue increased by approximately RMB38.5 million (or approximately 36.0%) from approximately RMB106.9 million for FY2021 to approximately RMB145.4 million for FY2022, which was primarily attributable to:

- (i) the increase in our revenue generated from the sale of products by approximately RMB17.9 million (or approximately 17.4%) from approximately RMB102.7 million for FY2021 to approximately RMB120.6 million for FY2022 mainly due to the increase in our revenue generated from the sale of ICV simulation testing software and platforms by approximately RMB20.3 million as mainly driven by revenue of approximately RMB30.6 million generated from Project F during FY2022, partially offset by the decrease in our revenue generated from the sale of ICV data platforms and other products by approximately RMB2.5 million mainly due to the offsetting effect of (a) the decrease in our revenue generated from the sale of ICV data platforms by approximately RMB40.5 million which was mainly driven by the completion of Project B and Project C during FY2021; and (b) the recognition of our revenue generated from the sale of other products of approximately RMB38.0 million for FY2022 which was related to three projects, including Project G and Project J; and



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- (ii) the increase in our revenue generated from the provision of services by approximately RMB20.6 million (or approximately 490.5%) from approximately RMB4.2 million for FY2021 to approximately RMB24.8 million for FY2022 mainly due to (a) the increase in our revenue generated from the provision of advisory and other services by approximately RMB10.4 million mainly due to (1) the recognition of revenue of approximately RMB5.4 million for a drone-related transport and logistics advisory project for a local government authority in Hangzhou for FY2022; (2) the recognition of revenue of approximately RMB1.0 million for a seminar organisation project in relation to the promoting works for Hangzhou's Unmanned Aerial Vehicle Testing Zone (無人駕駛航空試驗區) and ICV road test for the Management Committee; and (3) the increase in the number of automotive manufacturers in the PRC engaging us for ICV-related advisory projects during FY2022; and (b) the increase in our revenue generated from the provision of ICV testing and related services by approximately RMB10.2 million mainly as a result of the increase in the number of projects of closed-course site tests and related services from 12 for FY2021 to 29 for FY2022 mainly due to the commencement of operation and management of the Shunyi Testing Site since January 2022.

### *Cost of sales*

Our cost of sales increased by approximately RMB7.1 million (or approximately 16.7%) from approximately RMB42.9 million for FY2021 to approximately RMB50.0 million for FY2022, which was mainly attributable to the increase in our revenue as discussed above.

The increase in our cost of sales for FY2022 was primarily attributable to (i) the increase in our amortisation and depreciation by approximately RMB12.8 million mainly due to the recognition of our depreciation of right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022; and (ii) the increase in our professional fees by approximately RMB3.3 million mainly in respect of transportation costs paid to our major suppliers (including Supplier C, Supplier D and Supplier E) for their delivery services via drones for a drone-related transport and logistics advisory project for a local government authority in Hangzhou, partially offset by (i) the decrease in our procurement costs by approximately RMB6.6 million mainly due to (a) the slight decrease in our revenue from the sale of ICV data platforms and other products for FY2022 that incurred a higher degree of procurement costs for the procurement of hardware and servers for FY2022; and (b) the decrease in our procurement costs of hardware, components and software incurred for our products of ICV simulation testing software and platforms sold during FY2022; and (ii) the decrease in our external R&D costs by approximately RMB2.5 million mainly due to the expansion of our R&D team and hence reducing the needs for outsourcing non-core/rudimentary R&D exercises to third parties.

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### *Gross profit and gross profit margin*

Our gross profit increased by approximately RMB31.3 million (or approximately 48.9%) from approximately RMB64.0 million for FY2021 to approximately RMB95.4 million for FY2022, which was primarily in line with the increase in our revenue and cost of sales as discussed above.

Our overall gross profit margin increased from approximately 59.9% for FY2021 to approximately 65.6% for FY2022, which was primarily attributable to the offsetting effect of:

- (i) the increase in our gross profit margin from the sale of products from approximately 59.0% for FY2021 to approximately 74.2% for FY2022 mainly due to (a) the increase in our gross profit margin from the sale of ICV simulation testing software and platforms from approximately 85.0% for FY2021 to approximately 96.7% for FY2022 mainly due to the increase in the sale of standalone ICV simulation testing software that only incurred limited direct costs while the ICV simulation testing platform we delivered during FY2021 incurred higher procurement costs of hardware and software, and labour costs during the course of the building of such platform; and (b) the increase in our gross profit margin from the sale of ICV data platforms and other products from approximately 21.4% for FY2021 to approximately 28.0% for FY2022 mainly due to (1) the increase in our gross profit margin from the sale of ICV data platforms from approximately 21.4% for FY2021 to approximately 90.5% for FY2022 mainly due to the fact that the ICV data platforms sold during FY2021 involved higher procurement costs associated with a higher degree of hardware parts and components while the ICV data platform sold during FY2022 mainly involved software and therefore no procurement costs for hardware parts and components were incurred as a result; and (2) the recognition of a relatively higher gross profit margin from the sale of other products of approximately 25.6% for FY2022 as compared to our overall gross profit margin from the sale of ICV data platforms and other products of approximately 21.4% for FY2021 mainly because of more favourable prices of hardware offered by Beijing Asiacom Huanyu Technology Company Limited\* (北京亞康環宇科技有限公司) mainly in respect of our ongoing business relationship with and increased purchases from such major supplier during FY2022; and
- (ii) the decrease in our gross profit margin from the provision of services from approximately 81.4% for FY2021 to approximately 23.7% for FY2022 mainly due to (a) the decrease in our gross profit margin from the provision of ICV testing and related services from approximately 93.1% for FY2021 to approximately (5.0)% for FY2022 since our business operations at the Shunyi Testing Site had been adversely affected by the COVID-19 pandemic during FY2022 (as detailed in “Impacts of the COVID-19 pandemic – (2) Business conducted at the Shunyi Testing Site affected.” in this section above), leading to a relatively lower level of revenue from ICV testing services during FY2022 as compared to our depreciation of right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement during

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FY2022; and (b) the decrease in our gross profit margin from the provision of advisory and other services from approximately 68.0% for FY2021 to approximately 52.5% for FY2022 mainly due to a relatively lower gross margin generated from a drone-related transport and logistics advisory project for a local government authority in Hangzhou during FY2022 mainly in respect of our professional fees incurred, which were transportation costs paid to our major suppliers (including Supplier C, Supplier D and Supplier E) during FY2022 for their delivery services via drones.

### *Other income*

Our other income decreased by approximately RMB1.9 million (or approximately 13.2%) from approximately RMB14.5 million for FY2021 to approximately RMB12.6 million for FY2022, which was primarily attributable to the decrease in our government grants from approximately RMB13.2 million for FY2021 to approximately RMB9.2 million for FY2022 mainly due to the decrease in our Income from Government by approximately RMB6.4 million mainly due to the recognition of Income from Government of approximately RMB10.0 million in respect of Government Contract 1 during FY2021 as opposed to the recognition of Income from Government of approximately RMB3.2 million only in respect of new Government Contracts (namely Government Contract 4 to Government Contract 8) during FY2022, partially offset by the increase in our VAT refund from approximately RMB0.3 million for FY2021 to approximately RMB2.1 million for FY2022 mainly due to the increase in the sale of self-developed software products during the second half of FY2021 and FY2022 whereas the VAT had been refunded to us during FY2022.

### *Other gains, net*

Our other net gains remained relatively stable at approximately RMB5.4 million and RMB5.5 million for FY2021 and FY2022, respectively.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by approximately RMB4.1 million (or approximately 164.8%) from approximately RMB2.5 million for FY2021 to approximately RMB6.5 million for FY2022, which was primarily attributable to the increase in our staff costs from approximately RMB1.9 million for FY2021 to approximately RMB5.2 million for FY2022 mainly due to the expansion of our sales and marketing team mainly responsible for the business expansion of our ICV closed-course site tests and related services.

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### *General and administrative expenses*

Our general and administrative expenses increased by approximately RMB10.4 million (or approximately 65.5%) from approximately RMB15.8 million for FY2021 to approximately RMB26.2 million for FY2022, which was primarily attributable to (i) the increase in our employee benefit expenses from approximately RMB8.0 million for FY2021 to approximately RMB12.9 million for FY2022 mainly due to the increase in the number of our administrative staff in response to our business expansion; and (ii) the increase in our amortisation and depreciation from approximately RMB1.7 million for FY2021 to approximately RMB4.9 million for FY2022 mainly due to the additions of equipment and intangible assets for administrative purposes in response to our business expansion.

### *R&D expenses*

Our R&D expenses increased by approximately RMB3.8 million (or approximately 13.9%) from approximately RMB27.1 million for FY2021 to approximately RMB30.9 million for FY2022, which was primarily attributable to (i) the increase in our amortisation and depreciation from approximately RMB5.3 million for FY2021 to approximately RMB6.3 million for FY2022 mainly due to the increase in the procurement of equipment and intangible assets for the purpose of R&D during FY2022; (ii) the increase in our procurement costs from approximately RMB0.2 million for FY2021 to approximately RMB1.0 million for FY2022 mainly due to the increase in our procurement of materials for our R&D; (iii) the increase in our professional fees from approximately RMB69,000 for FY2021 to approximately RMB1.1 million for FY2022 mainly due to the increase in our consultancy fees mainly in relation to the construction of ICV network security system; and (iv) the increase in our commissioned external R&D expenses from approximately RMB1.0 million for FY2021 to approximately RMB1.8 million for FY2022 mainly due to the increase in our expenses incurred to third party professional service providers for the basic testing and processing fees of our software.

### *Credit loss allowance recognised*

Our credit loss allowance recognised increased by approximately RMB1.8 million (or approximately 1,050.0%) from approximately RMB0.2 million for FY2021 to approximately RMB2.0 million for FY2022, which was mainly due to the significant increase in our trade and notes receivables as at 31 December 2022.

### *Share of profits of investments accounted for using the equity method*

Our share of profits of investments accounted for using the equity method increased from nil for FY2021 to approximately RMB0.4 million for FY2022, which was primarily attributable to the share of the profit of our associate, namely Beijing Dysprosium, for FY2022. We did not record any share of profit of our associate during FY2021 since Beijing Dysprosium did not commence operation for the said period.

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### *Finance income, net*

Our net finance income decreased by approximately RMB0.3 million (or approximately 40.3%) from approximately RMB0.8 million for FY2021 to approximately RMB0.5 million for FY2022, which was primarily attributable to the increase in our interest expense on lease liabilities from approximately RMB0.3 million for FY2021 to approximately RMB1.6 million for FY2022 mainly because of the recognition of lease liabilities in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022, partially offset by the increase in our interest income on bank deposits from approximately RMB1.0 million for FY2021 to approximately RMB2.1 million for FY2022 mainly due to the increase in our bank deposits with funds mainly derived from the capital injection of RMB132.0 million through Series A+ Financing from two Shareholders to our Company in March and May 2022.

### *Income tax expenses*

Our income tax expenses decreased from approximately RMB1.6 million for FY2021 to nil for FY2022, which was primarily attributable to the fact that all of our subsidiaries that are not exempt from EIT were in loss position during FY2022 but one of our subsidiaries that are not exempt from EIT generated profit during FY2021.

Thus, our effective income tax rate decreased from approximately 4.0% for FY2021 to nil for FY2022.

### *Profit for the year*

Our profit for the year increased by approximately RMB11.1 million (or approximately 29.6%) from approximately RMB37.6 million for FY2021 to approximately RMB48.7 million for FY2022, which was primarily attributable to the increase in our gross profit by approximately RMB31.3 million, partially offset by (i) the increase in our general and administrative expenses by approximately RMB10.4 million; (ii) the increase in our selling and marketing expenses by approximately RMB4.1 million; and (iii) the increase in our R&D expenses by approximately RMB3.8 million.

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### DISCUSSION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

The following table sets forth a summary of our consolidated balance sheets as at 31 December 2021, 2022 and 2023 and 30 June 2024, which has been extracted from, the Accountant's Report in Appendix I to this prospectus.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Right-of-use assets	5,438	22,557	26,346	18,603
Equipment	7,294	37,510	62,321	48,703
Intangible assets	7,409	15,980	31,742	35,999
Financial assets at fair value				
through profit or loss	19,449	24,622	25,882	25,434
Investment in an associate	–	846	879	217
Contract assets	–	–	–	2,428
Deferred income tax assets	–	–	2,676	4,823
Other non-current assets	584	603	1,635	1,635
<b>Total non-current assets</b>	<u>40,174</u>	<u>102,118</u>	<u>151,481</u>	<u>137,842</u>
<b>Current assets</b>				
Contract fulfilment costs	3,138	7,695	1,742	16,963
Contract assets	6,906	7,414	8,133	6,685
Trade and notes receivables	49,422	139,995	165,695	150,043
Prepayments and other				
receivables	14,225	32,235	39,462	48,669
Financial assets at fair value				
through profit or loss	100,259	100,596	112,201	107,168
Restricted cash	20,003	3,660	3,669	3,669
Term deposits with initial				
term of over three months	–	–	–	60,000
Cash and cash equivalents	81,837	151,046	118,431	34,090
<b>Total current assets</b>	<u>275,790</u>	<u>442,641</u>	<u>449,333</u>	<u>427,287</u>
<b>Total assets</b>	<u><u>315,964</u></u>	<u><u>544,759</u></u>	<u><u>600,814</u></u>	<u><u>565,129</u></u>

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	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Equity attributable to owners of our Company</b>				
Paid-in capital/share capital	1,714	100,000	100,000	100,000
Reserves	164,554	264,678	271,130	271,734
Retained earnings	92,560	77,615	127,580	122,837
	<u>258,828</u>	<u>442,293</u>	<u>498,710</u>	<u>494,571</u>
Non-controlling interests	6,194	4,550	2,702	2,846
	<u>265,022</u>	<u>446,843</u>	<u>501,412</u>	<u>497,417</u>
<b>Total equity</b>				
<b>Non-current liabilities</b>				
Lease liabilities	2,470	14,156	22,242	5,637
Deferred income	6,699	10,905	19,907	11,675
	<u>9,169</u>	<u>25,061</u>	<u>42,149</u>	<u>17,312</u>
<b>Total non-current liabilities</b>				
<b>Current liabilities</b>				
Trade payables	25,829	17,549	7,162	2,248
Current income tax payable	1,533	–	–	–
Other payables and accruals	8,183	27,230	21,050	18,068
Contract liabilities	836	2,380	7,078	6,076
Lease liabilities	3,162	23,374	18,278	21,647
Deferred income	2,230	2,322	3,685	2,361
	<u>41,773</u>	<u>72,855</u>	<u>57,253</u>	<u>50,400</u>
<b>Total current liabilities</b>				
<b>Total liabilities</b>	<u>50,942</u>	<u>97,916</u>	<u>99,402</u>	<u>67,712</u>
<b>Total equity and liabilities</b>	<u>315,964</u>	<u>544,759</u>	<u>600,814</u>	<u>565,129</u>

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### Net current assets

The following table sets forth a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
<b>Current assets</b>					
Contract fulfilment costs	3,138	7,695	1,742	16,963	22,464
Contract assets	6,906	7,414	8,133	6,685	6,623
Trade and notes receivables	49,422	139,995	165,695	150,043	84,436
Prepayments and other receivables	14,225	32,235	39,462	48,669	83,718
Financial assets at fair value through profit or loss	100,259	100,596	112,201	107,168	107,136
Restricted cash	20,003	3,660	3,669	3,669	3,669
Term deposits with initial term of over three months	–	–	–	60,000	60,000
Cash and cash equivalents	81,837	151,046	118,431	34,090	38,534
<b>Total current assets</b>	<u>275,790</u>	<u>442,641</u>	<u>449,333</u>	<u>427,287</u>	<u>406,580</u>
<b>Current liabilities</b>					
Trade payables	25,829	17,549	7,162	2,248	2,295
Current income tax payable	1,533	–	–	–	–
Other payables and accruals	8,183	27,230	21,050	18,068	16,456
Contract liabilities	836	2,380	7,078	6,076	5,822
Lease liabilities	3,162	23,374	18,278	21,647	23,510
Deferred income	2,230	2,322	3,685	2,361	1,417
<b>Total current liabilities</b>	<u>41,773</u>	<u>72,855</u>	<u>57,253</u>	<u>50,400</u>	<u>49,500</u>
<b>Net current assets</b>	<u>234,017</u>	<u>369,786</u>	<u>392,080</u>	<u>376,887</u>	<u>357,080</u>

Our net current assets increased from approximately RMB234.0 million as at 31 December 2021 to approximately RMB369.8 million as at 31 December 2022, which was primarily attributable to (i) the increase in our trade and notes receivables from approximately RMB49.4 million as at 31 December 2021 to approximately RMB140.0 million as at 31 December 2022; and (ii) the increase in our cash and cash equivalents from approximately RMB81.8 million as at 31 December 2021 to approximately RMB151.0 million as at 31 December 2022.



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Our net current assets further increased to approximately RMB392.1 million as at 31 December 2023, which was primarily attributable to (i) the increase in our trade and notes receivables to approximately RMB165.7 million as at 31 December 2023; (ii) the increase in the current portion of our financial assets at fair value through profit or loss from approximately RMB100.6 million as at 31 December 2022 to approximately RMB112.2 million as at 31 December 2023; and (iii) the decrease in our trade payables from approximately RMB17.5 million as at 31 December 2022 to approximately RMB7.2 million as at 31 December 2023, partially offset by the decrease in our cash and cash equivalents to approximately RMB118.4 million as at 31 December 2023.

Our net current assets decreased to approximately RMB376.9 million as at 30 June 2024, which was primarily attributable to (i) the decrease in cash and cash equivalents from approximately RMB118.4 million as at 31 December 2023 to approximately RMB34.1 million as at 30 June 2024; and (ii) the increase in lease liabilities from approximately RMB18.3 million as at 31 December 2023 to approximately RMB21.6 million as at 30 June 2024, partially offset by (i) the increase of term deposits with initial term of three months of RMB60.0 million as at 30 June 2024; and (ii) an increase in our contract fulfilment costs from approximately RMB1.7 million as at 31 December 2023 to approximately RMB17.0 million as at 30 June 2024.

Please refer to the below for further details of and analysis of our current assets and current liabilities during the Track Record Period.

Our net current assets decreased to approximately RMB357.1 million as at 31 October 2024, which was primarily attributable to the decrease in our trade and notes receivables from approximately RMB150.0 million as at 30 June 2024 to approximately RMB84.4 million as at 31 October 2024, which was partially offset by the increase in our prepayments and other receivables from approximately RMB48.7 million as at 30 June 2024 to approximately RMB83.7 million as at 31 October 2024.

### **Right-of-use assets**

Our right-of-use assets of approximately RMB5.4 million, RMB22.6 million, RMB26.3 million and RMB18.6 million as at 31 December 2021, 2022 and 2023 and as at 30 June 2024, respectively, represented our right to use our leased assets mainly in relation to our office premises and right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement with contract terms of over one year, which was initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses under IFRS 16 *Leases*.

Please refer to “Business – Properties” in this prospectus for further details of our leased properties and “Business – Our services – ICV testing and related services – Closed-course site tests and related services” in this prospectus for further details of the operations of the Shunyi Testing Site under the Shunyi Agreement.

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The right-of-use asset was initially measured at cost (which represents the Fixed Fee as stipulated in the Shunyi Agreement) and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability (if any later on) based on the term of operation. The corresponding lease liability was initially measured at the present value of the payments (which represents the Fixed Fee as stipulated in the Shunyi Agreement) not yet paid. Subsequently, the lease liability would be adjusted for interest and payments. Therefore, we would recognise the respective depreciation of right-of-use asset under our cost of sales and interest expense on lease liability under our finance costs in our consolidated statements of comprehensive income. Other costs (such as taxes and office expenses, etc.) in relation to our operation of the Shunyi Testing Site were/will be expensed in our consolidated statements of comprehensive income when incurred.

Since the “closed-course site tests and related services” are part of our principal businesses, our income generated from the provision of closed-course site tests and related services to our customers in the Shunyi Testing Site was/will be recognised as our revenue generally at a point in time when our services were/are completed in accordance with IFRS 15 *Revenue from Contracts with Customers*.

### ***Impairment test on right-of-use assets in relation to the Shunyi Testing Site***

We had applied for IAS 36 *Impairment of Assets* for the impairment assessment on our right-of-use assets in relation to the Shunyi Testing Site. According to IAS 36.9, *an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.* If the carrying amount of the asset exceeds the recoverable amount of the asset, an impairment loss shall be recognised.

Given that our business operations at the Shunyi Testing Site had been adversely affected by the COVID-19 situation during FY2022 and there was a gross loss of our closed-course site tests and related services for FY2022, we had performed impairment tests to estimate the recoverable amount of our right-of-use assets in relation to the Shunyi Testing Site by using discounted cash flow model. The calculated recoverable amount is greater than the carrying amount of the right-of-use assets in relation to the Shunyi Testing Site. Furthermore, our Directors consider that owing to the fact that (i) following the ease of COVID-19 related containment measures across China since December 2022, the adverse impact of the COVID-19 pandemic on our closed-course site tests and related services at the Shunyi Testing Site are diminishing and will fade out gradually in the coming years; (ii) it is expected that there would be a positive impact on the closed-course site testing business following the issue of the ICV pilot market entry programme contemplated in the Draft Pilot Notice in November 2022; and (iii) we had entered into a supplemental agreement to the Shunyi Agreement with Customer A in January 2023 to (a) extend the lease period for six months, originally until August 2024 to until February 2025; and (b) defer the three instalments of Fixed Fee by also six months from 10 August 2022, 2023 and 2024 to 10 February 2023, 2024 and 2025, respectively, without any additional fee for the extended six-month period, the business of our closed-course site tests and related services at the Shunyi Testing Site will be profitable in the coming years. As such, during the Track Record Period, we did not recognise any impairment loss on the right-of-use assets in relation to the Shunyi Testing Site.

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Our right-of-use assets increased from approximately RMB5.4 million as at 31 December 2021 to approximately RMB22.6 million as at 31 December 2022, which was primarily attributable to our additions of approximately RMB33.0 million mainly because of the recognition of the right-of-use assets in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022, partially offset by our depreciation of approximately RMB15.4 million for FY2022.

Our right-of-use assets increased to approximately RMB26.3 million as at 31 December 2023, which was primarily attributable to our additions of approximately RMB17.2 million mainly because of the recognition of the right-of-use assets in respect of the new lease of Haidian Office in Beijing, partially offset by our depreciation of approximately RMB12.8 million for FY2023.

Our right-of-use asset decreased to approximately RMB18.6 million as at 30 June 2024, which was due to our depreciation of approximately RMB7.7 million for 6M2024.

### Equipment

Our equipment increased from approximately RMB7.3 million as at 31 December 2021 to approximately RMB37.5 million and RMB62.3 million as at 31 December 2022 and 2023, respectively, which was primarily attributable to our additions of electronic equipment of approximately RMB36.9 million and RMB41.0 million mainly for our administrative, government-commissioned projects and R&D purposes for FY2022 and FY2023, respectively, partially offset by our depreciation of approximately RMB6.6 million and RMB20.8 million for FY2022 and FY2023, respectively. Our equipment decreased to approximately RMB48.7 million as at 30 June 2024, which was primarily attributable to our depreciation of approximately RMB14.0 million, partially offset by our additions of electronic equipment of approximately RMB1.4 million for our administrative, government-commissioned projects and R&D purposes for 6M2024.

### Intangible assets

Our intangible assets of approximately RMB7.4 million, RMB16.0 million, RMB31.7 million and RMB36.0 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, primarily represented our simulation, modelling and algorithm software programmes for our government-commissioned projects and R&D purpose, internally generated intangible assets and other business and financial software for our business operations.

The useful lives of our intangible assets are estimated to be three to 10 years. When determining the length of useful lives of our intangible assets, we take into account (i) the estimated period during which such assets can bring economic benefits to our Group; and (ii)

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the useful life estimated by comparable companies in the market. The estimated period during which such assets can bring economic benefits to our Group are determined based on technical and commercial obsolescence, legal or contractual limits on the use of the assets and other relevant factors.

For our fundamental software and systems for daily operation and basic R&D, such as financial software and electronic document security management software (the “**Fundamental IAs**”), we amortise these Fundamental IAs on a straight-line basis based on their estimated useful lives of 10 years. The relevant software and system vendors will continue to provide updates and iteration services of the Fundamental IAs to us when necessary so as to improve their technological standards, applicability and practicality towards the future technology advancement. As such, we believe that it is reasonable to amortise these Fundamental IAs over an estimated useful life of 10 years.

Save for the abovementioned Fundamental IAs, we amortise other intangible assets on a straight-line basis based on their estimated useful lives of three to five years.

Based on the current functionalities equipped by the software and systems, and our daily business operation needs, we consider useful lives of three to 10 years for our intangible assets to be our best estimation.

The increase in our intangible assets from approximately RMB7.4 million as at 31 December 2021 to approximately RMB16.0 million and RMB31.7 million as at 31 December 2022 and 2023, respectively, was primarily attributable to our additions of approximately RMB11.6 million and RMB21.3 million for FY2022 and FY2023, respectively, mainly in relation to our capitalised costs for internally generated intangible assets and software programmes for our government-commissioned projects and R&D purpose, partially offset by our amortisation of approximately RMB3.0 million and RMB5.5 million for FY2022 and FY2023, respectively. The further increase in our intangible assets to approximately RMB36.0 million as at 30 June 2024 was due to additions of software for our government-commissioned projects and R&D purpose totalling approximately RMB8.9 million for 6M2024, partially offset by our amortisation of our intangible assets of approximately RMB4.6 million for 6M2024.

### ***Impairment review of our internally generated intangible assets which are not yet ready for use***

The impairment review for our internally generated intangible assets which are not yet ready for use as at 31 December 2022 and 2023 had been conducted annually by our management. For the purposes of the impairment review, the recoverable amount of our internally generated intangible assets which are not yet ready for use is determined based on value-in-use (“**VIU**”) calculated by discounted cash flow model. The cash flow forecast was mainly derived from the signed and indicative contracts or available orders related to our internally generated intangible assets which are not yet ready for use and the relevant cash

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inflows were expected to be received within one year based on the management estimation as at 31 December 2022 and 2023, respectively. The forecast cash flows were discounted to the present value using a pre-tax rate of 16% and 29% as at 31 December 2022 and 2023, respectively.

As at 31 December 2022 and 2023, the estimated recoverable amount based on the VIU calculation were approximately RMB9.7 million and RMB23.4 million, respectively, which are higher than the carrying amount of our internally generated intangible assets which are not yet ready for use. Thus, no impairment should be recognised for our internally generated intangible assets which are not yet ready for use as at 31 December 2022 and 2023. The key assumptions adopted by our management in the impairment assessment is the pre-tax discount rate and the cash flows forecasted. Our Directors have considered and assessed that any reasonably possible changes in the key assumptions would not cause the carrying amount of our internally generated intangible assets which are not yet ready for use to exceed their recoverable amount.

For sensitivity analysis conducted during the impairment review for our internally generated intangible assets which are not yet ready for use as at 31 December 2022, had there been a decrease in the total forecasted cash flow by 35%, or an increase in the pre-tax discount rate of 63 percentage point each in isolation, the recoverable amount of our internally generated intangible assets which are not yet ready for use would be close to the breakeven point. As at 31 December 2022, had there been a decrease in the cash flow forecast by 5%, or an increase in the pre-tax discount rate of 5 percentage points each in isolation, the headroom would have been decreased to approximately RMB2.9 million and RMB3.0 million, respectively.

For sensitivity analysis conducted during the impairment review for our internally generated intangible assets which are not yet ready for use as at 31 December 2023, had there been a decrease in the cash flow forecast by 52%, or an increase in the pre-tax discount rate of 137 percentage point each in isolation, the recoverable amount of our internally generated intangible assets which are not yet ready for use would be close to the breakeven point. As at 31 December 2023, had there been a decrease in the cash flow forecast by 5%, or an increase in the pre-tax discount rate by 5 percentage points each in isolation, the headroom would have been decreased to approximately RMB10.9 million and RMB11.2 million, respectively.

### **Investment in an associate**

Our investment in an associate represented our 49% equity interest in an associate, namely Beijing Dysprosium, which was established on 12 April 2021. Beijing Dysprosium was established with an aim to providing upcoming data platform-related services in relation to vehicle supervision system on government platform. Beijing Dysprosium commenced business operations since April 2022. For further details of Beijing Dysprosium, please refer to “History, development and corporate structure – Our corporate history and development – Our investments – Beijing Dysprosium” in this prospectus.

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Under the equity method of accounting, our investment in an associate is initially recognised at cost and adjusted thereafter to recognise our share of the post-acquisition profits or losses of the associate in profit or loss, and our share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from the associate are recognised as a reduction in the carrying amount of our investment in an associate.

Our investment in an associate increased from nil as at 31 December 2021 to approximately RMB0.8 million and RMB0.9 million as at 31 December 2022 and 2023, respectively, which was primarily attributable to (i) our capital contribution of approximately RMB0.5 million to Beijing Dysprosium during FY2022; and (ii) the recognition of our share of profit of Beijing Dysprosium of approximately RMB0.4 million and RMB33,000 during FY2022 and FY2023, respectively. Our investment in an associate decreased to approximately RMB0.2 million as at 30 June 2024 because of the recognition of our share of loss of Beijing Dysprosium of approximately RMB0.7 million during 6M2024.

### Other non-current assets

Our other non-current assets of approximately RMB0.6 million, RMB0.6 million, RMB1.6 million and RMB1.6 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, primarily represented our prepayments and deposits for our Shanghai and Beijing office premises.

### Financial assets at fair value through profit or loss

Our non-current financial assets at fair value through profit or loss represented (i) our unlisted equity investment of Guoqi Intelligent Control (please refer to “History, development and corporate structure – Our corporate history and development – Our investments – Guoqi Intelligent Control” in this prospectus for further details of Guoqi Intelligent Control); and (ii) our current financial assets at fair value through profit or loss represented our principal guaranteed wealth management products purchased from commercial banks in the PRC.

The following table sets forth a breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<i>Non-current assets:</i>				
Unlisted equity securities	19,449	24,622	25,882	25,434
<i>Current assets:</i>				
Wealth management products	100,259	100,596	112,201	107,168
Total	<u>119,708</u>	<u>125,218</u>	<u>138,083</u>	<u>132,602</u>



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Our total financial assets at fair value through profit or loss increased from approximately RMB119.7 million as at 31 December 2021 to approximately RMB125.2 million and RMB138.1 million as at 31 December 2022 and 2023, respectively, which was primarily attributable to (i) our gains on fair value changes on financial assets at fair value through profit or loss in connection with our investment in Guoqi Intelligent Control of approximately RMB5.2 million and RMB1.3 million for FY2022 and FY2023, respectively; and (ii) the increase in our financial assets at fair value through profit or loss in connection with our wealth management products from approximately RMB100.6 million as at 31 December 2022 to approximately RMB112.2 million as at 31 December 2023. Our total financial assets at fair value through profit or loss remained relatively stable at approximately RMB132.6 million as at 30 June 2024.

The fair values of our financial assets at fair value through profit or loss (which were classified as valuation of level 2 and level 3 instruments for financial reporting purposes), in the absence of an active market, were estimated by using various applicable valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results.

The details of the fair value measurement of the financial assets at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 3.3 to the Accountant's Report in Appendix I to this prospectus.

### ***Level 3 fair value measurement***

In respect of the valuation of level 3 financial assets at fair value through profit or loss, with reference to the guidance under the *Guidance note on directors' duties in the context of valuations in corporate transactions* issued by the SFC in May 2017 (the "**Guidance**") applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures, including (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to discount rate, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial assets that are significant, provided necessary financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared.

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The details on the fair value measurement of the financial assets at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 3.3 to the Accountant's Report in Appendix I to this prospectus. The Reporting Accountant performed its works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* (the "**HKSIR 200**") issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 to I-3 of the Accountant's Report in Appendix I to this prospectus.

In relation to our financial assets at fair value through profit or loss measured at level 3 fair value measurement (the "**Level 3 Financial Assets**"), the Sole Sponsor has conducted the following relevant due diligence work:

- (i) discussed with our management to understand, among others, the rationale of our investment in the Level 3 Financial Assets, the methodology, key assumptions and information relied upon in respect of the valuation of the Level 3 Financial Assets and the views on the fairness and reasonableness of the assumptions, basis and approaches of the valuation;
- (ii) conducted interview with Guoqi Intelligent Control to understand, among others, its principal business, operation scale and financial performance;
- (iii) interviewed the independent valuer (the "**Valuer**") engaged by our Company to consider its qualification, experience and independence, and to understand, among others, the key assumptions, valuation techniques, and methodologies applied to determine the valuation of the Level 3 Financial Assets;
- (iv) obtained and reviewed the credentials of the Valuer and the valuation reports prepared by the Valuer;
- (v) reviewed the investment agreement with respect to Guoqi Intelligent Control; and
- (vi) reviewed relevant notes and disclosure in the Accountant's Report and discussed with the Reporting Accountant in respect of the audit procedures conducted in relation to the valuation of the Level 3 Financial Assets for the purpose of reporting on our historical financial information as a whole.

Having considered the work done by our Directors, the Reporting Accountant and the Valuer and the relevant due diligence conducted as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to cast doubts on the valuation of the Level 3 Financial Assets.



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During the Track Record Period, our Group purchased principal guaranteed wealth management products issued by commercial banks in the PRC with maturity terms of within six months generally to improve returns on our available capital. Our Group has adopted a comprehensive set of internal policies and guidelines to monitor and control the investment risks associated with our wealth management products. We manage and evaluate the performance of such investments on a fair value basis in accordance with our risk management and investment strategy. Our investment strategy in respect of wealth management products focuses on minimising our financial risks by matching the maturities of potential investments in wealth management products to our anticipated operating cash needs in a reasonable and conservative manner, and at the same time generating reasonable returns from such investments (if made). For our risk management purpose, our Group will only invest in principal guaranteed wealth management products issued by major commercial banks in the PRC.

In addition, our finance department is responsible for proposing, analysing and evaluating potential investments in principal guaranteed wealth management products. All material investments in principal guaranteed wealth management products shall be made in accordance with our internal policies. Our Group would make each of the investment decisions associated with principal guaranteed wealth management products after the consideration of a number of factors, including but not limited to, (i) macro-economic environment; (ii) general market conditions; (iii) risk control and credit ratings of the issuing banks; (iv) our working capital needs and conditions; (v) duration of investments; and (vi) expected returns from investments.

After Listing, our Group intends to continue to purchase principal guaranteed wealth management products to improve returns on our available capital, which will be strictly carried out in accordance with our internal policies (including the aforesaid risk management and investment strategy, and approval processes) and the Articles of Association. To the extent that an investment in wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, our Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or Shareholders' approval requirements (if applicable).

### **Contract fulfilment costs**

Our contract fulfilment costs of approximately RMB3.1 million, RMB7.7 million, RMB1.7 million and RMB17.0 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, principally represented our costs of development of ICV simulation testing software and platforms and ICV data platforms and other products, which had not yet been finished and sold as at the reporting dates.

Our contract fulfilment costs increased from approximately RMB3.1 million as at 31 December 2021 to approximately RMB7.7 million as at 31 December 2022, which was primarily attributable to the increase in our costs of development in respect of two projects of cloud-based ICV simulation testing solutions to the Relevant Customer and an automotive manufacturer in the PRC, respectively, during FY2022 which had not been completed as at 31 December 2022.

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Our contract fulfilment costs decreased to approximately RMB1.7 million as at 31 December 2023, which was primarily attributable to the transfer of the relevant accumulated costs of development in respect of the aforesaid projects to our cost of sales upon their completion for sale during FY2023.

Our contract fulfilment costs increased to approximately RMB17.0 million as at 30 June 2024, which was primarily attributable to the increase in our costs of development in respect of an ICV simulation testing platform for a technology company and an ICV data platform sold to a Chinese automotive manufacturer, which have not been completed as at 30 June 2024.

### Contract assets

The following table sets forth a breakdown of our contract assets as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets, gross				
– <i>Current</i>	6,931	7,446	8,216	6,773
– <i>Non-current</i>	–	–	–	2,428
Less: Credit loss allowance	(25)	(32)	(83)	(88)
Contract assets, net	<u>6,906</u>	<u>7,414</u>	<u>8,133</u>	<u>9,113</u>

Our contract assets principally represented unbilled receivables of payments from our customers in respect of our rights to consideration in exchange for the relevant products and services which had been transferred to our customers.

Our contract assets increased from approximately RMB6.9 million as at 31 December 2021 to approximately RMB7.4 million as at 31 December 2022 and further increased to approximately RMB8.1 million as at 31 December 2023 and approximately RMB9.1 million as at 30 June 2024, which was primarily in line with the increase in our revenue as a result of the growth of our business.

We recorded credit loss allowance on our contract assets of approximately RMB25,000, RMB32,000, RMB83,000 and RMB88,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, in our consolidated balance sheets. Thus, we recognised credit loss allowance of approximately RMB18,000, RMB7,000, RMB51,000 and RMB5,000 during the Track Record Period, respectively, in our profit or loss. Please refer to note 3.1(b) to the Accountant's Report in Appendix I to this prospectus for further details of the credit risk of our contract assets.

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As at the Latest Practicable Date, approximately RMB0.2 million (or approximately 2.5%) of our contract assets as at 30 June 2024 were subsequently certified.

### Trade and notes receivables

The following table sets forth a breakdown of our trade and notes receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross	49,625	142,152	174,513	148,232
Notes receivables	–	–	–	8,607
Less: Credit loss allowance	(203)	(2,157)	(8,818)	(6,796)
Trade and notes receivables, net	<u>49,422</u>	<u>139,995</u>	<u>165,695</u>	<u>150,043</u>

Our trade and notes receivables principally represented the outstanding amounts to be received from our customers in relation to the sale of our products and the provision of our services. Our notes receivables mainly represented bank acceptance bills received from our customers for the settlement of our trade and notes receivables. We generally allow a credit period of within 90 to 180 days to our customers.

Our trade and notes receivables significantly increased from approximately RMB49.4 million as at 31 December 2021 to approximately RMB140.0 million as at 31 December 2022, which was primarily attributable to (i) the increase in our revenue as a result of the growth of our business; and (ii) the fact that most of our services were provided to and most of our products were completed and sold to our customers in December 2022.

Our trade and notes receivables increased to approximately RMB165.7 million as at 31 December 2023, which was primarily attributable to the increase in our revenue as a result of the growth of our business.

Our trade and notes receivables decreased to approximately RMB150.0 million as at 30 June 2024 due to settlement by our customers.

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The following table sets forth a past due ageing analysis of our gross trade and notes receivables based on gross trade and notes receivables which are: (i) not past due and (ii) past due for the periods set out below, as at the dates indicated, and the subsequent settlement of our gross trade and notes receivables as at 30 June 2024 up to the Latest Practicable Date. The outstanding amounts of our gross trade and notes receivables which are past due represent those outstanding amounts to be received from our customers in relation to the sale of our products and the provision of our services which have not been received by us within the applicable credit period.

	As at 31 December			As at	Subsequent settlement up to	
	2021	2022	2023	30 June	the Latest	
	RMB'000	RMB'000	RMB'000	2024	Practicable Date	%
Not past due	36,345	124,899	109,002	40,629	21,910	53.9
Past due:						
– Up to six months	5,130	3,023	21,533	76,939	45,325	58.9
– Six months to one year	0	5,176	34,654	7,492	5,536	73.9
– One year to two years	8,100	904	983	31,729	23,887	75.3
– Over two years	50	8,150	8,341	50	–	–
	<u>13,280</u>	<u>17,253</u>	<u>65,511</u>	<u>116,210</u>	<u>74,748</u>	<u>64.3</u>
Total	<u>49,625</u>	<u>142,152</u>	<u>174,513</u>	<u>156,839</u>	<u>96,658</u>	<u>61.6</u>

The following table sets forth (i) an ageing analysis of our gross trade and notes receivables based on the dates of completion of contractual obligation; and (ii) the amounts pertaining to each corresponding period set out below which are not past due and which are past due as at the dates indicated, and the subsequent settlement of our gross trade and notes receivables as at 30 June 2024 up to the Latest Practicable Date:

	As at 31 December			As at	Subsequent settlement up to	
	2021	2022	2023	30 June	the Latest	
	RMB'000	RMB'000	RMB'000	2024	Practicable Date	%
Up to six months:						
Not past due	36,345	118,689	109,002	39,402		
Past due	<u>5,130</u>	<u>1,000</u>	<u>16,379</u>	<u>8,645</u>		
	41,475	119,689	125,381	48,047	29,720	61.9
Six months to one						
year:						
Not past due	–	4,670	–	1,227		
Past due	<u>–</u>	<u>4,226</u>	<u>3,702</u>	<u>72,061</u>		
	–	8,896	3,702	73,288	40,153	54.8

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		As at 31 December			As at	Subsequent	
		2021	2022	2023	30 June	settlement up to	
		RMB'000	RMB'000	RMB'000	2024	the Latest	
					RMB'000	Practicable Date	%
One year to two years:	Not past due	–	1,540	–	–		
	Past due	8,100	1,855	35,066	33,726		
Over two years:		8,100	3,395	35,066	33,726	26,785	79.4
	Not past due	–	–	–	–		
	Past due	50	10,172	10,364	1,778		
		50	10,172	10,364	1,778	–	–
Total		49,625	142,152	174,513	156,839	96,658	61.6

The amount of our trade and notes receivables aged over two years as at 31 December 2022 was higher than that aged over one year as at 31 December 2021, which was primarily attributable to the fact that (i) certain consideration receivables of approximately RMB2.0 million were initially recorded as contract assets when the corresponding revenue was recognised, and were then reclassified as trade and notes receivables at the time when our rights to the relevant consideration became unconditional during FY2022; and (ii) we commenced to count the age of such contract assets since their initial recognition and continued to accumulate their age after they were reclassified as trade and notes receivables during FY2022.

The following tables set forth our trade and notes receivables turnover days for the periods indicated:

		Year ended 31 December			Six months ended
		2021	2022	2023	30 June 2024
Trade and notes receivables turnover days <sup>(Note)</sup>		113.2	237.8	317.5	517.1

*Note:* Our trade and notes receivables turnover days equals to the average of the opening and closing balances of our trade and notes receivables divided by our revenue and multiplied by 365, 365, 365 and 182 days for the Track Record Period.

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Our trade and notes receivables turnover days increased from approximately 113.2 days for FY2021 to approximately 237.8 days for FY2022 and further to approximately 317.5 days for FY2023, which was primarily attributable to (i) the increase in our trade and notes receivables aged up to six months from approximately RMB41.5 million as at 31 December 2021 to approximately RMB119.7 million as at 31 December 2022 and further to approximately RMB125.4 million as at 31 December 2023 mainly due to (a) the increase in our revenue during the Track Record Period; and (b) the fact that most of our projects were completed in the last quarter of each year during the Track Record Period and therefore a majority of the trade and notes receivables remained unsettled as at the end of each financial year; (ii) the increase in our trade and notes receivables aged between one year and two years from approximately RMB3.4 million as at 31 December 2022 to approximately RMB35.1 million as at 31 December 2023 mainly attributable to the increase in our trade and notes receivables aged between one year and two years from (a) the Relevant Customer from nil as at 31 December 2022 to approximately RMB18.7 million as at 31 December 2023; and (b) Customer E from approximately RMB1.0 million as at 31 December 2022 to approximately RMB13.8 million as at 31 December 2023; and (iii) the increase in our trade and notes receivables aged over two years from approximately RMB50,000 as at 31 December 2021 to approximately RMB10.1 million as at 31 December 2022 mainly attributable to the increase in our trade and notes receivables aged over two years from Customer Y from nil as at 31 December 2021 to approximately RMB8.9 million as at 31 December 2022.

Our trade and notes receivables turnover days further increased to 517.1 days for 6M2024 mainly because of (i) significant long outstanding trade and notes receivables of approximately RMB150.0 million as at 30 June 2024 which were mainly due from the Relevant Customer and Customer E; and (ii) the significant opening balance of our trade and notes receivables as at 31 December 2023 coupled with a relatively low level of our revenue during 6M2024.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, our trade and notes receivables aged over one year amounted to approximately RMB8.0 million, RMB13.6 million, RMB45.4 million and RMB35.5 million, respectively, representing approximately 16.2%, 9.5%, 26.0% and 22.6% of our total gross trade and notes receivables, respectively. The long outstanding balance of our trade and notes receivables aged over one year was primarily attributable to, to the best knowledge and information of our Directors, our relevant customers' prolonged and delay in the administrative works for the internal payment approval processes and the adoption of prudent cash payment policies due to, among other things, the adverse impact of the COVID-19 pandemic.

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As at 30 June 2024, our trade and notes receivables aged between one year and two years primarily included: (i) trade and notes receivables of approximately RMB18.7 million due from the Relevant Customer; and (ii) trade and notes receivables of approximately RMB11.5 million due from Customer E. To the best knowledge and information of our Directors, we believe that the long outstanding balance of our trade and notes receivables from (i) the Relevant Customer was primarily attributable to the complexity of internal payment approval process involving multidepartment coordination and the restructuring of responsible project department and change of responsible personnel, and our Directors believe that such trade and notes receivables from the Relevant Customer are recoverable since (a) the Relevant Customer is one of the largest and most reputable technology companies in the PRC; (b) we have continuous and proven business relationship with the Relevant Customer and we expect to explore and develop new business opportunities with the Relevant Customer; and (c) there was no history of defaults of trade and notes receivables from the Relevant Customer; and (ii) Customer E was primarily attributable to its financial liquidity problem during the period where our Directors believe that such trade and notes receivables from Customer E are recoverable due to (a) the completion of further capital financing of Customer E in late 2023; (b) Customer E had entered into an agreement with us to repay such outstanding amount in full by four instalments in 2024; and (c) we have constantly received payments from Customer E. Therefore, our Directors believe there is no recoverability issue on our trade and notes receivables aged between one year and two years as at 30 June 2024. As at 30 June 2024, our trade and notes receivables aged over one year from the Relevant Customer and Customer E were approximately RMB18.7 million and RMB11.5 million, respectively, and as at the Latest Practicable Date, RMB12.4 million (or approximately 66.3%) and RMB11.5 million (or 100%), respectively, were subsequently settled.

Our Group has continuously undertaken active follow-up actions with our relevant customers through regular direct communication by means of phones, different online communication tools and also site visits to discuss with the relevant personnel of our customers to update the status of payment approval process and urge for their settlement of trade and notes receivables.

Our Directors consider that such trade and notes receivables aged over one year are still recoverable because, to the best knowledge and information of our Directors, as at the Latest Practicable Date, (i) there were repayments from certain customers with trade and notes receivables over one year and most of the long outstanding trade and notes receivables aged over one year was attributing to the prolonged and delay in the administrative works for internal payment approval processes, which we believe that these trade and notes receivables will be settled in the future; (ii) the relevant customers do not have any dispute or disagreement with us and continued to maintain active communications with our Group, including, among others, updating the status of payment approval processes of trade and notes receivables with our Group and exploring and/or developing new business opportunities with our Group; (iii) the trade and notes receivables due from the Relevant Customer are recoverable since the Relevant Customer is one of the largest and most reputable technology companies in the PRC with whom we have had a continuous and proven business relationship; (iv) the trade and notes receivables due from Customer E are recoverable given that Customer E has entered into an



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agreement with us to repay such outstanding amount in full by four instalments in 2024 and we have constantly received payments from them; (v) there was no history of defaults of trade and notes receivables from the relevant customers and there had been no material indications of default (such as bankruptcy, debt rollover, major litigations) on our relevant customers; and (vi) there was subsequent settlement of approximately RMB26.8 million (or approximately 75.4%) of our gross trade and notes receivables aged over one year as at 30 June 2024 up to the Latest Practicable Date. Further, based on our recent discussion with these relevant customers, we expect that most of the unsettled trade and notes receivables aged over one year will be recovered from customers within 2024.

We applied the simplified approach to provide for expected credit losses prescribed by IFRS 9 which requires expected lifetime losses to be recognised from the initial recognition of our trade and notes receivables and contract assets. The expected credit loss rates of trade and notes receivables approximately 0.41%, 1.52%, 5.05% and 4.33% as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, are calculated based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The changes in our expected credit loss rate was primarily attributable to the changes in default possibilities from certain customers along with the changes in the ageing of their trade and notes receivables during the Track Record Period.

As a result of the impairment assessment as discussed above, we recorded a credit loss allowance on our trade and notes receivables of approximately RMB0.2 million, RMB2.2 million, RMB8.8 million and RMB6.8 million as at 31 December 2021 and 2022 and 2023 and 30 June 2024, respectively, in our consolidated balance sheets. We did not hold any collateral over our trade and notes receivables and thus recognised credit loss allowance on our trade and notes receivables of approximately RMB0.2 million, RMB2.0 million, RMB6.7 million and RMB2.0 million during the Track Record Period, respectively, in our profit or loss.

We have implemented credit control policies to reduce our credit risk in relation to the collectability of our trade and notes receivables and contract assets, including, among other things, (i) setting credit period and credit limits of each customer based on our assessment of customers' historical credit standing, creditworthiness and past payment history; (ii) continuous and regular monitoring of customers' payment progress by the use of ageing and credit reports of our trade and notes receivables; (iii) follow-up actions of our outstanding trade and notes receivables, such as issuing monthly statements, payment reminders, actively liaising with customers and taking legal actions if necessary; and (iv) performing expected credit loss assessment of our trade and notes receivables and contract assets in accordance with IFRS 9 to recognise credit loss allowances on our trade and notes receivables and contract assets.

We consider that sufficient credit loss allowance on our trade and notes receivables had been made on the basis that (i) we have implemented the abovementioned credit control policies to closely review the balances of trade and notes receivables on an ongoing basis; (ii) we have assessed the recoverability of long outstanding balances of trade and notes receivables



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aged over one year (which is as discussed above) on an ongoing basis; (iii) we had estimated the credit loss allowance on our trade and notes receivables of each customer individually which are mainly based on the external credit rating of each customer and the ageing analysis of the outstanding balance of trade and notes receivables from each customer, then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of our customers to settle the receivables; and (iv) we monitor the collection of trade and notes receivables and keep assessing the credit loss allowance on our trade and notes receivables when they are outstanding. We also retrospectively review the accounting estimate of prior periods to identify any material discrepancies. Where the accounting estimate is different from our original estimate, such difference will be reflected in the carrying amounts of our trade and notes receivables and thus the credit loss allowance on our trade and notes receivables will be adjusted.

Please refer to note 3.1(b) to the Accountant's Report in Appendix I to this prospectus for further details of the credit risk of our trade and notes receivables.

As at the Latest Practicable Date, approximately RMB49.6 million (or approximately 99.9%) of our gross trade and notes receivables as at 31 December 2021, approximately RMB133.5 million (or approximately 93.9%) of our gross trade and notes receivables as at 31 December 2022, approximately RMB137.3 million (or approximately 78.7%) of our gross trade and notes receivables as at 31 December 2023, and approximately RMB96.7 million (or approximately 61.6%) of our gross trade and notes receivables as at 30 June 2024 were subsequently settled.

### Prepayments and other receivables

The following table sets forth a breakdown of our prepayments and other receivables as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Listing expenses to be capitalised	5,825	29,205	36,095	39,191
Prepayments to suppliers	2,988	486	876	4,394
Deductible VAT	–	105	332	1,039
Prepayment of EIT	3,376	–	–	–
Rental, bidding and other deposits	1,860	1,732	2,208	2,007
Others	193	718	274	2,447
Less: Credit loss allowance	(17)	(11)	(323)	(409)
	<u>14,225</u>	<u>32,235</u>	<u>39,462</u>	<u>48,669</u>
Total	<u>14,225</u>	<u>32,235</u>	<u>39,462</u>	<u>48,669</u>

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Our prepayments and other receivables primarily comprised of (i) our listing expenses to be capitalised primarily including our total listing expenses incurred to our Sole Sponsor, reporting accountant, legal advisers and other professional parties in relation to the Global Offering as at the reporting dates which will be recorded as a deduction from equity upon the Listing. Given that (a) the Global Offering does not involve the listing of existing Unlisted Shares; and (b) our listing expenses incurred/to be incurred are directly associated with the listing of new H Shares, most of our listing expenses incurred are eligible for the capitalisation and will be deducted from equity upon the Listing of new H Shares except for expenses which are not incremental costs related to the Share issue, such as road show costs, etc., that were/will be recorded as expenses through profit or loss; (ii) our prepayments to suppliers for the procurement of hardware, servers, components and software, etc.; (iii) our deductible VAT; (iv) our prepayment of EIT; and (v) our rental, bidding and other deposits.

Our prepayments and other receivables increased from approximately RMB14.2 million as at 31 December 2021 to approximately RMB32.2 million as at 31 December 2022, which was primarily attributable to the increase in our listing expenses to be capitalised from approximately RMB5.8 million as at 31 December 2021 to approximately RMB29.2 million as at 31 December 2022, partially offset by (i) the decrease in our prepayments to suppliers from approximately RMB3.0 million as at 31 December 2021 to approximately RMB0.5 million as at 31 December 2022 mainly due to the utilisation of our advanced payments for the acquisition of R&D equipment during FY2022; and (ii) the decrease in our prepayment of EIT from approximately RMB3.4 million as at 31 December 2021 to nil as at 31 December 2022 mainly due to the return of prepaid EIT to our Group during FY2022 and the fact that our Company did not prepay any EIT during FY2022 since our Company had been approved as a Key Software Enterprise\* (重點軟件企業) in 2022.

Our prepayments and other receivables increased to approximately RMB39.5 million as at 31 December 2023, which was primarily attributable to the increase in our listing expenses to be capitalised to approximately RMB36.1 million as at 31 December 2023.

Our prepayments and other receivables increased to approximately RMB48.7 million as at 30 June 2024, which was primarily attributable to (i) the increase in our prepayments to suppliers to approximately RMB4.4 million which is consistent with the increase in our procurement costs during the same period; and (ii) listing expenses to be capitalised.

### **Restricted cash**

Our restricted cash of approximately RMB20.0 million, RMB3.7 million, RMB3.7 million and RMB3.7 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, primarily represented our pledged bank deposits placed to banks to (i) provide letters of guarantee for the due performance of revenue contracts; and (ii) issue bank acceptance bills to our suppliers for the settlement of our procurement costs of equipment.

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The decrease in our restricted cash from approximately RMB20.0 million as at 31 December 2021 to approximately RMB3.7 million as at 31 December 2022 was primarily attributable to the release of our pledged bank deposits as at 31 December 2021 during FY2022 upon the performance of revenue contract obligations and the settlement of our procurement costs of equipment during FY2022.

Our restricted cash then remained stable at approximately RMB3.7 million as at 31 December 2023 and 30 June 2024.

### Term deposits with initial term of over three months

Our term deposits with initial term of over three months which represented bank deposits with a maturity of more than three months and less than one year was nil as at 31 December 2021, 2022 and 2023 and RMB60.0 million as at 30 June 2024.

### Trade payables

As at 31 December 2021, 2022 and 2023 and 30 June 2024, our trade payables amounted to approximately RMB25.8 million, RMB17.5 million, RMB7.2 million and RMB2.2 million, respectively. Our trade payables principally represented the payables to our suppliers mainly in respect of the procurement of hardware, servers, components and software for the development of our products and the provision of our services. Our suppliers generally grant us a credit period of up to 60 days.

The following table sets forth an ageing analysis of our trade payables based on dates of completion of contractual obligations as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Up to three months	25,266	15,866	6,097	–
Three months to six months	51	–	–	–
Over six months	512	1,683	1,065	2,248
	<u>25,829</u>	<u>17,549</u>	<u>7,162</u>	<u>2,248</u>
Total	<u>25,829</u>	<u>17,549</u>	<u>7,162</u>	<u>2,248</u>

Our trade payables decreased from approximately RMB25.8 million as at 31 December 2021 to approximately RMB17.5 million as at 31 December 2022, which was primarily in line with the decrease in our procurement costs during FY2022 mainly due to (i) the slight decrease in our revenue from the sale of ICV data platforms and other products for FY2022 that incurred

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a higher degree of procurement costs for the procurement of hardware and servers for FY2022; and (ii) the decrease in our procurement costs of hardware, components and software incurred for our products of ICV simulation testing software and platforms sold during FY2022.

Our trade payables decreased to approximately RMB7.2 million as at 31 December 2023, which was primarily attributable to the substantial settlement of our trade payables as at 31 December 2022 to our suppliers during FY2023.

Our trade payables decreased to approximately RMB2.2 million as at 30 June 2024, which was primarily attributable to the substantial settlement of our trade payables as at 31 December 2023 to our suppliers during 6M2024.

The following tables set forth our trade payables turnover days for the periods indicated:

	Year ended 31 December			Six months ended
	2021	2022	2023	30 June 2024
Trade payables turnover days <sup>(Note)</sup>	<u>119.2</u>	<u>158.3</u>	<u>88.2</u>	<u>51.9</u>

*Note:* Our trade payables turnover days equals to the average of the opening and closing balances of our trade payables divided by our cost of sales and multiplied by 365 days for each of FY2021, FY2022 and FY2023 and 182 days for 6M2024.

The increase in our trade payables turnover days from approximately 119.2 days for FY2021 to approximately 158.3 days for FY2022 was primarily attributable to the increase in our average trade payables mainly due to the significant opening balance of trade payables of approximately RMB25.8 million as at 31 December 2021.

Our trade payables turnover days decreased to approximately 88.2 days for FY2023, which was primarily attributable to the decrease in our trade payables from approximately RMB17.5 million as at 31 December 2022 to approximately RMB7.2 million as at 31 December 2023 mainly due to the substantial settlement of our trade payables as at 31 December 2022 to our suppliers during FY2023.

Our trade payables turnover days decreased to approximately 51.9 days for 6M2024, which was primarily attributable to the decrease in our trade payables from approximately RMB7.2 million as at 31 December 2023 to approximately RMB2.2 million as at 30 June 2024 mainly due to the substantial settlement of our trade payables as at 31 December 2023 to our suppliers during 6M2024.

Our Directors confirm that there have been no material defaults in payment of our trade payables during the Track Record Period.

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As at the Latest Practicable Date, none of our trade payables as at 30 June 2024 were subsequently settled.

### Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at
	2021	2022	2023	30 June
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Payroll payables	4,181	6,751	9,183	4,785
VAT payable	2,661	8,581	763	45
Other tax payables	339	1,293	208	288
Listing expenses payable	–	10,105	2,630	2,574
Payables to vendors	–	–	7,950	9,532
Others	1,002	500	316	844
	<u>8,183</u>	<u>27,230</u>	<u>21,050</u>	<u>18,068</u>
Total	<u>8,183</u>	<u>27,230</u>	<u>21,050</u>	<u>18,068</u>

Our other payables and accruals primarily comprised (i) our payroll payables; (ii) our VAT payable; (iii) our other tax payables mainly including stamp duty and other PRC surtaxes; (iv) our listing expenses payable mainly representing our payables of listing expenses incurred to our Sole Sponsor, reporting accountant, legal advisers and other professional parties in relation to the Global Offering; (v) our payables to vendors mainly representing our payables in relation to the purchases of our equipment and intangible assets for government-commissioned projects and R&D purpose, and the leasehold improvements of our Haidian Office in Beijing consisting of the purchase of equipment and related decoration services; and (vi) others in our other payables and accruals mainly representing payables for staff reimbursements and other miscellaneous payables.

Our other payables and accruals increased from approximately RMB8.2 million as at 31 December 2021 to approximately RMB27.2 million as at 31 December 2022, which was primarily attributable to (i) the increase in our payroll payables from approximately RMB4.2 million as at 31 December 2021 to approximately RMB6.8 million as at 31 December 2022 mainly due to the increase in the number of our staff in response to our business expansion; (ii) the increase in our VAT payable from approximately RMB2.7 million as at 31 December 2021 to approximately RMB8.6 million as at 31 December 2022 mainly in relation to the increase in the sale of our products during FY2022; and (iii) the recognition of our listing expenses payable of approximately RMB10.1 million as at 31 December 2022.

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Our other payables and accruals decreased to approximately RMB21.1 million as at 31 December 2023, which was primarily attributable to (i) the decrease in our VAT payable to approximately RMB0.8 million as at 31 December 2023 mainly due to the payment of VAT payable as at 31 December 2022 during FY2023 and the significant input VAT deduction during FY2023 mainly attributable to the significant purchases of equipment and intangible assets for FY2023; and (ii) the decrease in our listing expenses payable to approximately RMB2.6 million as at 31 December 2023 mainly due to the settlement of our listing expenses to professional parties during FY2023, partially offset by (i) the increase in our payroll payables to approximately RMB9.2 million as at 31 December 2023 mainly due to the increase in our year-end bonus accruals and the increment of the number of our staff in response to our business expansion; and (ii) the increase in our payables to vendors from approximately nil as at 31 December 2022 to approximately RMB8.0 million as at 31 December 2023 mainly in relation to the purchases of our equipment and intangible assets for government-commissioned projects and R&D purpose during FY2023, and the leasehold improvements for our Haidian Office in Beijing consisting of the purchase of equipment and related decoration services.

Our other payables and accruals decreased to approximately RMB18.1 million as at 30 June 2024, which was primarily attributable to the decrease in payroll payables to approximately RMB4.8 million as at 30 June 2024 mainly because the payroll payables as at 31 December 2023 included bonuses payable to our staff at the end of the financial year while no such bonuses are payable as at 30 June 2024, partially offset by the increase in payables to vendors to approximately RMB9.5 million as at 30 June 2024 mainly in relation to the purchases of our equipment and intangible assets for government-commissioned projects and R&D purposes during 6M2024.

### **Contract liabilities**

Our contract liabilities principally represented advanced payments from our customers for which we had not transferred the products or services to our customers yet as at the reporting dates.

Our contract liabilities increased from approximately RMB0.8 million as at 31 December 2021 to approximately RMB2.4 million as at 31 December 2022, which was primarily attributable to the advance payments of certain new projects of ICV testing and related services, and advisory and other services from our customers during FY2022.

Our contract liabilities further increased to approximately RMB7.1 million as at 31 December 2023, which was primarily attributable to the increase in the advance payments from our customers for an increased number of new projects mainly in relation to ICV testing and related services and advisory and other services, including drone-related services, during FY2023.

Our contract liabilities decreased to approximately RMB6.1 million as at 30 June 2024, which was primarily attributable to the decrease in advance payments from our customers.

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As at the Latest Practicable Date, approximately RMB4.8 million (or approximately 78.4%) of our contract liabilities as at 30 June 2024 were subsequently utilised.

### **Deferred income**

Our deferred income principally represented our deferred government grants which had not been recorded as “other income – government grants” in our profit or loss in accordance with the terms of Government Contracts as at the reporting dates.

Our deferred income increased from approximately RMB8.9 million as at 31 December 2021 to approximately RMB13.2 million as at 31 December 2022, which was primarily attributable to the recognition of deferred government grants of (i) approximately RMB1.1 million for Government Contract 7; and (ii) approximately RMB5.5 million for Government Contract 9, which were yet to be recognised as other income during FY2022.

Our deferred income further increased to approximately RMB23.6 million as at 31 December 2023, which was primarily attributable to the recognition of deferred government grants of (i) approximately RMB8.4 million for Government Contract 8; and (ii) approximately RMB6.1 million for Government Contract 10, which were yet to be recognised as other income during FY2023.

Our deferred income decreased to approximately RMB14.0 million as at 30 June 2024, which was primarily attributable to the recognition of deferred government grants for Government Contract 8 and Government Contract 10 to government grants under other income.

Given the fact that our grants in respect of Government Contract 7 to Government Contract 13 generally (i) subsidise the acquisition of related equipment and software; and/or (ii) compensate for the relevant staff costs and other expenditures incurred for R&D activities for the completion of the relevant services/tasks as stipulated in these Government Contracts, our Income from Government in respect of these Government Contracts is recognised as other income in our profit or loss over the periods in which (i) the depreciation and amortisation on those assets are recognised; and/or (ii) the relevant staff costs or other expenditures are incurred for R&D activities (for which the grants from these Government Contracts are intended to compensate).

As such, deferred income in respect of Government Contract 7 to Government Contract 13 has been recognised in our consolidated balance sheets for the grants that had been received by us but were not recognised as Income from Government before the end of the financial year/period.

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### INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 June 2024	As at 31 October 2024
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Lease liabilities	5,632	37,530	40,520	27,284	27,494
Credit facilities	—	—	—	—	—
Debt securities	—	—	—	—	—
Contingent liabilities	—	—	—	—	—
Total	<u>5,632</u>	<u>37,530</u>	<u>40,520</u>	<u>27,284</u>	<u>27,494</u>

### Lease liabilities

The following table sets forth a breakdown of our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June 2024	As at 31 October 2024
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current	3,162	23,374	18,278	21,647	23,510
Non-current	<u>2,470</u>	<u>14,156</u>	<u>22,242</u>	<u>5,637</u>	<u>3,984</u>
Total	<u>5,632</u>	<u>37,530</u>	<u>40,520</u>	<u>27,284</u>	<u>27,494</u>

Our lease liabilities of approximately RMB5.6 million, RMB37.5 million, RMB40.5 million, RMB27.3 million and RMB27.5 million as at 31 December 2021, 2022 and 2023, 30 June 2024 and 31 October 2024, being the most recent practicable date for the purpose of this indebtedness statement, respectively, primarily represented our outstanding lease payments mainly in respect of our office premises and lease liabilities recognised in respect of the Shunyi Testing Site under the Shunyi Agreement, which would be primarily adjusted for interest and lease payments, and the impact of lease modifications.



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### **Credit facilities**

As at 31 December 2021, 2022 and 2023, 30 June 2024 and 31 October 2024, being the most recent practicable date for the purpose of this indebtedness statement, we did not have any credit facilities.

### **Debt securities**

As at 31 October 2024, being the most recent practicable date for the purpose of this indebtedness statement, we had no debt securities issued outstanding or authorised, or otherwise created but unissued.

### **Contingent liabilities**

As at 31 December 2021, 2022 and 2023 and 30 June 2024, we did not have any significant contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

Save as disclosed in “Indebtedness” in this section above, as at 31 October 2024, being the most recent practicable date for the purpose of this indebtedness statement, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not have any material external debt financing plans.

Our Directors further confirm that as at the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors further confirm that there had not been any material change in our indebtedness since 31 October 2024, being the most recent practicable date for the purpose of this indebtedness statement, and up to the date of this prospectus.

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### KEY FINANCIAL RATIOS

The table below sets forth our certain key financial ratios as at the dates/for the periods indicated:

	Year ended/As at 31 December			Six months ended/As at 30 June
	2021	2022	2023	2024
Net profit/(loss) margin <sup>(Note 1)</sup>	35.1%	33.5%	30.4%	(8.3)%
Current ratio <sup>(Note 2)</sup>	6.6	6.1	7.8	8.5
Gearing ratio <sup>(Note 3)</sup>	2.1%	8.4%	8.1%	5.5%
Return on assets <sup>(Note 4)</sup>	17.6%	11.3%	9.3%	N/A
Return on equity <sup>(Note 5)</sup>	23.0%	14.4%	11.8%	N/A
Interest coverage ratio <sup>(Note 6)</sup>	136.9	30.0	35.5	(8.9)

Notes:

- (1) Our net profit/(loss) margin equals to our profit/(loss) for the year/period divided by our revenue for the year/period, multiplied by 100%.
- (2) Our current ratio equals to our total current assets as at the end of the year/period divided by our total current liabilities as at the end of the year/period.
- (3) Our gearing ratio equals to our total debts (which is our lease liabilities) as at the end of the year/period divided by our total equity as at the end of the year/period, multiplied by 100%.
- (4) Our return on assets equals to our profit for the year divided by our average total assets (based on the opening and closing balance of our total assets), multiplied by 100%.
- (5) Our return on equity equals to our profit attributable to owners of our Company for the year divided by our average total equity attributable to owners of our Company (based on the opening and closing balance of our total equity attributable to owners of our Company), multiplied by 100%.
- (6) Our interest coverage ratio equals to our profit/(loss) for the year/period netting off our finance costs for the year/period and income tax (expenses)/credit for the year/period divided by our finance costs for the year/period.

### Net profit/(loss) margin

Our net profit margin decreased from approximately 35.1% for FY2021 to approximately 33.5% for FY2022, which was primarily attributable to (i) the increase in our general and administrative expenses from approximately RMB15.9 million (or approximately 14.8% of our total revenue) for FY2021 to approximately RMB26.2 million (or approximately 18.0% of our total revenue) for FY2022 mainly due to the reasons as detailed in “Period to period comparison of results of operations – Year ended 31 December 2022 compared to year ended 31 December 2021 – General and administrative expenses” in this section above; and (ii) the decrease in our government grants in other income from approximately RMB13.2 million (or approximately 12.3% of our total revenue) for FY2021 to approximately RMB9.2 million (or

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approximately 6.3% of our total revenue) for FY2022 mainly due to the reasons as detailed in “Period to period comparison of results of operations – Year ended 31 December 2022 compared to year ended 31 December 2021 – Other income” in this section above.

Our net profit/(loss) margin further decreased to approximately 30.4% for FY2023, which was primarily attributable to (i) the increase in our R&D expenses from approximately RMB30.9 million (or approximately 21.3% of our total revenue) for FY2022 to approximately RMB71.3 million (or approximately 40.6% of our total revenue) for FY2023 mainly due to the reasons as detailed in “Period to period comparison of results of operations – Year ended 31 December 2023 compared to year ended 31 December 2022 – R&D expenses” in this section above; and (ii) the increase in our credit loss allowance recognised from approximately RMB2.0 million (or approximately 1.3% of our total revenue) for FY2022 to approximately RMB7.0 million (or approximately 4.0% of our total revenue) for FY2023 mainly due to the reasons as detailed in “Period to period comparison of results of operations – Year ended 31 December 2023 compared to year ended 31 December 2022 – Credit loss allowance (recognised)/reversed” in this section above.

Our net profit/(loss) margin further decreased to approximately (8.3)% for 6M2024, which was primarily attributable to the fact that we incurred a loss of approximately RMB4.6 million for 6M2024.

### **Current ratio**

Our current ratio decreased from approximately 6.6 as at 31 December 2021 to approximately 6.1 as at 31 December 2022, which was primarily attributable to the rate of increase in our total current liabilities by approximately 74.4% for FY2022 exceeding the rate of increase in our total current assets by approximately 60.5% for FY2022, which was primarily attributable to a relatively lower balance of our total current liabilities as at 31 December 2021 as compared to that of our total current assets as at 31 December 2021, and the increase in our current liabilities for FY2022 was mainly due to (i) the increase in the current portion of our lease liabilities from approximately RMB3.2 million as 31 December 2021 to approximately RMB23.4 million as 31 December 2022 mainly because of the recognition of lease liabilities in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022; and (ii) the increase in our other payables and accruals from approximately RMB8.2 million as 31 December 2021 to approximately RMB27.2 million as 31 December 2022 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Other payables and accruals” in this section above.

Our current ratio increased to approximately 7.8 as at 31 December 2023, which was primarily attributable to the decrease in our total current liabilities from approximately RMB72.9 million as at 31 December 2022 to approximately RMB57.3 million as at 31 December 2023 mainly due to (i) the decrease in our trade payables from approximately RMB17.5 million as at 31 December 2022 to approximately RMB7.2 million as at 31 December 2023 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Trade payables” in this section above; and (ii) the decrease in our

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other payables and accruals to approximately RMB21.1 million as at 31 December 2023 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Other payables and accruals” in this section above.

Our current ratio increased to approximately 8.5 as at 30 June 2024, which was primarily attributable to the rate of decrease in our total current liabilities by approximately 12.0% for 6M2024 exceeding the rate of decrease in our total current assets by approximately 4.9% for 6M2024. The decrease in our total current liabilities for 6M2024 was mainly due to (i) the decrease in our trade payables from approximately RMB7.2 million as at 31 December 2023 to approximately RMB2.2 million as at 30 June 2024 mainly because of the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Trade Payables” in this section above; and (ii) the decrease in our other payables and accruals from approximately RMB21.1 million as at 31 December 2023 to approximately RMB18.1 million as at 30 June 2024 because of the reasons detailed in “Discussion of selected items of consolidated balance sheets – Other payables and accruals” in this section above. The decrease in our total current assets for 6M2024 was mainly due to (i) the decrease in our cash and cash equivalents from approximately RMB118.4 million as at 31 December 2023 to approximately RMB34.1 million as at 30 June 2024; and (ii) the decrease in our trade and notes receivables from approximately RMB165.7 million as at 31 December 2023 to approximately RMB150.0 million as at 30 June 2024 because of settlement by our customers.

### **Gearing ratio**

Our gearing ratio increased from approximately 2.1% as at 31 December 2021 to approximately 8.4% as at 31 December 2022, which was primarily attributable to the significant increase in our lease liabilities by approximately 566.4% to approximately RMB37.5 million as 31 December 2022 mainly because of the recognition of lease liabilities in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022, partially offset by the increase in our total equity by approximately 68.6% to approximately RMB446.8 million as 31 December 2022 mainly due to (i) new available funds from the capital injection of approximately RMB132.0 million through Series A+ Financing from two Shareholders to our Company in March and May 2022; and (ii) our profit for the year of approximately RMB48.7 million for FY2022.

Our gearing ratio then remained stable at approximately 8.1% as at 31 December 2023.

Our gearing ratio decreased to approximately 5.5% as at 30 June 2024, which was primarily attributable to the decrease in our lease liabilities to approximately RMB27.3 million as at 30 June 2024 mainly due to our lease payments during 6M2024.

### **Return on assets and return on equity**

Our return on assets and return on equity decreased from approximately 17.6% and 23.0% for FY2021, respectively, to approximately 11.3% and 14.4% for FY2022, respectively, which was primarily attributable to (i) the increase in our average total equity attributable to owners

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of our Company by approximately 113.2% for FY2022 mainly due to (a) new available funds from the capital injection through Series A+ Financing from two Shareholders to our Company in March and May 2022; and (b) our profit for the year for FY2022; and (ii) the increase in our average total assets by approximately 102.1% for FY2022 mainly due to (a) the increase in our cash and cash equivalents mainly due to new available funds from the capital injection through Series A+ Financing from two Shareholders to our Company in March and May 2022; and (b) the significant increase in our trade and notes receivables from approximately RMB49.4 million as at 31 December 2021 to approximately RMB140.0 million as at 31 December 2022 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Trade and notes receivables” in this section above, as compared to a lower rate of increase of our profit for the year of approximately 29.6% for FY2022.

Our return on assets and return on equity decreased to approximately 9.3% and 11.8% for FY2023, respectively, which was primarily attributable to (i) the increase in our average total equity attributable to owners of our Company by approximately 34.2% for FY2023 mainly due to our profit for the year for FY2023; and (ii) the increase in our average total assets by approximately 33.1% for FY2023 mainly due to (a) the increase in our equipment from approximately RMB37.5 million as at 31 December 2022 to approximately RMB62.3 million as at 31 December 2023 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Equipment” in this section above; (b) the increase in our intangible assets from approximately RMB16.0 million as at 31 December 2022 to approximately RMB31.7 million as at 31 December 2023 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Intangible assets” in this section above; and (c) the increase in our trade and notes receivables to approximately RMB165.7 million as at 31 December 2023 mainly due to the reasons as detailed in “Discussion of selected items of consolidated balance sheets – Trade and notes receivables” in this section above, as compared to a lower rate of increase of our profit for the year of approximately 9.7% for FY2022.

### **Interest coverage ratio**

Our interest coverage ratio decreased from approximately 136.9 for FY2021 to approximately 30.0 for FY2022, which was primarily attributable to the increase in our finance costs from approximately RMB0.3 million for FY2021 to approximately RMB1.7 million for FY2022 mainly because of the recognition of lease liabilities in respect of the Shunyi Testing Site under the Shunyi Agreement during FY2022.

Our interest coverage ratio increased to approximately 35.5 for FY2023, which was primarily attributable to the increase in our profit before income tax from approximately RMB48.7 million for FY2022 to approximately RMB50.8 million for FY2023.

Our interest coverage ratio decreased to approximately (8.9) for 6M2024, which was primarily attributable to the fact that we incurred a loss of approximately RMB4.6 million for 6M2024.

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### LIQUIDITY AND CAPITAL RESOURCES

Our Group has historically financed our operations primarily through a combination of (i) capital contribution; and (ii) operating cash flows. Our working capital requirements mainly comprised payments for our operating expenses and capital investments. During the Track Record Period, we were able to manage our liquidity risks by maintaining adequate reserves, continuously monitoring our forecasted and actual cash flows and matching the maturity profiles of our assets and liabilities. We did not experience any liquidity shortage during the Track Record Period.

In the future, we expect that our working capital and other liquidity requirements will be satisfied through a combination of (i) operating cash flows; and (ii) the proceeds from the Global Offering. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flows, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control.

We may need additional cash resources in the future if we experience changing business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, and collaborations of other similar actions. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain credit facilities, or sell or issue equity securities, which might result in dilution to our Shareholders.

### Cash flows

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

	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Operating cash flows before					
working capital changes	40,190	67,031	91,849	1,695	16,637
Changes in working capital	(43,589)	(75,156)	(44,423)	64	(17,576)
Interest received	1,590	1,716	3,040	2,065	1,493

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	Year ended 31 December			Six months ended	
	2021	2022	2023	30 June 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash (used in)/generated from operating activities	(1,809)	(6,409)	50,466	3,824	554
Net cash used in investing activities	(107,035)	(40,596)	(52,557)	(4,495)	(66,808)
Net cash generated from/ (used in) financing activities	148,595	116,214	(30,524)	(22,153)	(18,087)
Net increase/(decrease) in cash and cash equivalents	39,751	69,209	(32,615)	(22,824)	(84,341)
Cash and cash equivalents at beginning of the year	42,086	81,837	151,046	151,046	118,431
Cash and cash equivalents at end of the year	81,837	151,046	118,431	128,222	34,090

### *Net cash (used in)/generated from operating activities*

During the Track Record Period, we derived our cash from operating activities principally from the receipt of payments from our customers, while our cash used in operating activities was mainly related to the payments for operating costs.

Net cash from operating activities reflects our profit before income tax adjusted for: (i) non-cash items, which primarily comprised depreciation of right-of-use assets and equipment, amortisation of intangible assets, net impairment losses on financial and contract assets, share-based payment expenses, gains on disposal of equipment, fair value changes on financial assets at fair value through profit or loss and share of profits of investments accounted for using the equity method; and (ii) the effects of changes in working capital, which comprised contract assets, contract fulfilment costs, trade and notes receivables, prepayments and other receivables, restricted cash, trade payables, other payables and accruals, contract liabilities and deferred income.

For FY2021, our net cash used in operating activities was approximately RMB1.8 million, comprising cash used in operations of approximately RMB3.4 million and interest received of approximately RMB1.6 million. Our net cash generated from operations comprised operating cash flows before movements in working capital of approximately RMB40.2 million and adjustments for changes in working capital primarily including (i) an increase in contract assets of approximately RMB3.8 million; (ii) a decrease in contract fulfilment costs of approximately RMB3.8 million; (iii) an increase in trade and notes receivables of approximately RMB32.7 million; (iv) an increase in prepayments and other receivables of approximately RMB9.5



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million; (v) an increase in trade payables of approximately RMB23.7 million; (vi) a decrease in other payables and accruals of approximately RMB4.1 million; (vii) a decrease in contract liabilities of approximately RMB20.4 million; and (viii) a decrease in deferred income of approximately RMB0.5 million.

For FY2022, our net cash used in operating activities was approximately RMB6.4 million, comprising cash used in operations of approximately RMB8.1 million and interest received of approximately RMB1.7 million. Our net cash used in operations comprised operating cash flows before movements in working capital of approximately RMB67.0 million and adjustments for changes in working capital primarily including (i) an increase in contract assets of approximately RMB0.5 million; (ii) an increase in contract fulfilment costs of approximately RMB4.6 million; (iii) an increase in trade and notes receivables of approximately RMB92.5 million; (iv) a decrease in prepayments and other receivables of approximately RMB5.4 million; (v) a decrease in restricted cash of approximately RMB16.3 million; (vi) a decrease in trade payables of approximately RMB8.3 million; (vii) an increase in other payables and accruals of approximately RMB11.2 million; (viii) an increase in contract liabilities of approximately RMB1.5 million; and (ix) a decrease in deferred income of approximately RMB3.8 million.

We recorded net cash used in operating activities of approximately RMB1.8 million and RMB6.4 million for FY2021 and FY2022, respectively, which was primarily attributable to the increase in our revenue not yet settled by our customers as at the end of the year, causing a strong increase in our trade and notes receivables to approximately RMB49.4 million as at 31 December 2021 and further to approximately RMB140.0 million as at 31 December 2022.

For FY2023, our net cash generated from operating activities was approximately RMB50.5 million, comprising cash generated from operations of approximately RMB47.4 million and interest received of approximately RMB3.0 million. Our net cash generated from operations comprised operating cash flows before movements in working capital of approximately RMB91.8 million and adjustments for changes in working capital, primarily including (i) a decrease in contract fulfilment costs of approximately RMB6.0 million; (ii) a decrease in trade and notes receivables of approximately RMB32.4 million; (iii) an increase in prepayments and other receivables of approximately RMB0.6 million; (iv) a decrease in trade payables of approximately RMB10.4 million; (v) an increase in other payables and accruals of approximately RMB9.0 million; (vi) an increase in contract liabilities of approximately RMB4.7 million; and (vii) a decrease in deferred income of approximately RMB19.9 million.

For 6M2024, our net cash generated from operating activities was approximately RMB0.6 million, comprising cash used in operations of approximately RMB0.9 million and interest received of approximately RMB1.5 million. Our net cash generated from operations comprised of operating cash flows before movements in working capital of approximately RMB16.6 million and adjustments for changes in working capital consisting of (i) an increase in contract assets of approximately RMB1.0 million; (ii) an increase in contract fulfilment costs of approximately RMB15.2 million; (iii) a decrease in trade and notes receivables of approximately RMB17.7 million; (iv) an increase in prepayments and other receivables of



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approximately RMB4.2 million; (v) a decrease in trade payables of approximately RMB4.9 million; (vi) an increase in other payables and accruals of approximately RMB0.6 million; (vii) a decrease in contract liabilities of approximately RMB1.0 million; and (viii) a decrease in deferred income of approximately RMB9.6 million.

In view of the material fluctuations in our trade and notes receivables and trade payables turnover days during the Track Record Period and our net operating cash outflows during FY2021 and FY2022, we have implemented the following measures to manage and control our working capital and liquidity position, including:

- (i) we review and update our cash management policies and working capital needs to ensure that they are aligned with our business plans and financial position, and report to our Directors and senior management regularly;
- (ii) we prepare weekly cash flow forecasts and reports, and funding summaries on an ongoing basis to monitor and manage the collection and use of cash by analysing our cash flows in connection with our receipt of payments from customers, payments of procurement costs, operating costs and other expenses, capital expenditure and tax payments, and report to our Directors and senior management regularly for their review;
- (iii) we monitor and manage the level of our cash and cash equivalents to finance our daily operations, to mitigate the effects of fluctuations in cash flows and to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We carefully consider our cash position and ability to obtain trade financing and credit facilities on an ongoing basis. We will proactively adjust our business plans or implement cost control measures and consider seeking additional funding through trade financing and credit facilities from banks if necessitated by our then-existing financial conditions and cash requirements; and
- (iv) we continuously follow our credit control policies as disclosed in “Discussion of selected items of consolidated balance sheets – Trade and notes receivables” in this section in order to manage our trade and notes receivables, e.g. our credit assessment mechanism and our communication with customers regarding the settlement of trade and notes receivables.

Please refer to “Discussion of selected items of consolidated balance sheets” in this section above for further details of and analysis of our working capital.

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### *Net cash (used in)/generated from investing activities*

During the Track Record Period, our cash used in investing activities mainly consisted of purchases of equipment and intangible assets, and purchases of financial assets at fair value through profit or loss, while our cash from investing activities mainly represented proceeds from the redemption of short-term investments measured at fair value through profit or loss and receipts of government subsidies for equipment and intangible assets.

For FY2021, our net cash used in investing activities was approximately RMB107.0 million, which was mainly contributed by (i) purchases of equipment and intangible assets of approximately RMB11.1 million; and (ii) purchases of short-term investments measured at fair value through profit or loss in respect of wealth management products of approximately RMB215.0 million, partially offset by (i) proceeds from the redemption of short-term investments measured at fair value through profit or loss in respect of wealth management products of approximately RMB115.0 million; and (ii) receipts of government subsidies for equipment and intangible assets of approximately RMB3.8 million.

For FY2022, our net cash used in investing activities was approximately RMB40.6 million, which was mainly contributed by (i) purchases of equipment and intangible assets of approximately RMB49.2 million; and (ii) purchases of short-term investments measured at fair value through profit or loss in respect of wealth management products of approximately RMB220.0 million, partially offset by (i) proceeds from the redemption of short-term investments measured at fair value through profit or loss in respect of wealth management products of approximately RMB220.0 million; and (ii) receipts of government subsidies for equipment and intangible assets of approximately RMB7.6 million.

For FY2023, our net cash used in investing activities was approximately RMB52.6 million, which was primarily due to (i) purchases of equipment and intangible assets of approximately RMB69.4 million; and (ii) purchases of short-term investments measured at fair value through profit or loss in respect of wealth management products amounting to approximately RMB212.0 million, partially offset by (i) proceeds from the redemption of short-term investments measured at fair value through profit or loss in respect of wealth management products of approximately RMB200.0 million; and (ii) receipt of government subsidies for equipment and intangible assets amounting to approximately RMB27.4 million.

For 6M2024, our net cash used in investing activities was approximately RMB66.8 million, which was primarily due to (i) the purchase of equipment and intangible assets of approximately RMB12.3 million; (ii) the purchase of short-term investments measured at fair value through profit or loss in respect of wealth management products amounting to approximately RMB119.0 million; and (iii) the purchase of term deposits with initial term of three months of RMB60.0 million, partially offset by (i) the proceeds from the redemption of short-term investments measured at fair value through profit or loss in respect of wealth management products of approximately RMB124.0 million; and (ii) interest income received from short-term investments measured at fair value through profit or loss of approximately RMB0.5 million.

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## FINANCIAL INFORMATION

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### *Net cash generated from/(used in) financing activities*

During the Track Record Period, our cash from financing activities mainly consisted of capital injected by our Shareholders and non-controlling interests, while our cash used in financing activities mainly consisted of payments of listing expenses to be capitalised and payments of lease liabilities.

For FY2021, our net cash generated from financing activities was approximately RMB148.6 million, which was mainly contributed by (i) capital injected by our Shareholders of approximately RMB150.0 million; and (ii) capital injected by non-controlling interests of approximately RMB6.4 million, partially offset by (i) payments of listing expenses to be capitalised of approximately RMB4.8 million; and (ii) payments of lease liabilities of approximately RMB3.0 million.

For FY2022, our net cash generated from financing activities was approximately RMB116.2 million, which was mainly contributed by capital injected by our Shareholders of approximately RMB132.0 million, partially offset by (i) payments of listing expenses to be capitalised of approximately RMB13.8 million; and (ii) payments of lease liabilities of approximately RMB2.0 million.

For FY2023, our net cash used in financing activities was approximately RMB30.5 million, which was mainly contributed by (i) payments of lease liabilities of approximately RMB15.9 million; and (ii) payments of listing expenses to be capitalised of approximately RMB14.9 million.

For 6M2024, our net cash used in financing activities was approximately RMB18.1 million, which consisted of (i) payments of lease liabilities of approximately RMB14.8 million; and (ii) payments of listing expenses to be capitalised of approximately RMB3.3 million.

### **Sufficiency of working capital**

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash flows generated from our operations and the estimated proceeds from the Global Offering, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

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### CAPITAL EXPENDITURES

During the Track Record Period, we paid an aggregate amount of approximately RMB11.1 million, RMB49.2 million, RMB69.4 million and RMB12.3 million, respectively, for capital expenditures on our equipment and intangible assets.

We intend to fund our capital expenditures through a combination of the net proceeds receivable by us from the Global Offering and the cash flows generated from our operating activities. Save as disclosed in “Future plans and use of proceeds” in this prospectus, we have no other material planned capital expenditures for the year ending 31 December 2024.

### COMMITMENTS

As at 31 December 2021, 2022 and 2023 and 30 June 2024, we have a capital commitment in respect of the capital investment in our associate, namely Beijing Dysprosium, of approximately RMB0.5 million, nil, nil and nil, respectively. Please refer to note 32 to the Accountant’s Report in Appendix I to this prospectus for further details of our capital commitments.

### MARKET RISKS

During the Track Record Period, we are principally subject to interest rate risk, price risk, credit risk and liquidity risk. Please refer to note 3.1 to the Accountant’s Report in Appendix I to this prospectus for further details of our market risks.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors are of the opinion that these related party transactions were conducted on normal commercial terms.

Please refer to note 34(b) to the Accountant’s Report in Appendix I to this prospectus for further details of our related party transactions.

### LISTING EXPENSES

Our total estimated listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB66.6 million (based on the mid-point of the indicative Offer Price range of HK\$15.0 per Offer Share), representing approximately 14.4% of our gross proceeds from the Global Offering. Our total listing expenses primarily comprise (i) our estimated underwriting fees of approximately RMB13.9 million; (ii) our estimated fees and expenses of legal advisers and reporting accountant of approximately RMB34.7 million; (iii) our estimated fees of two financial advisers<sup>(Note)</sup> of approximately RMB2.7 million; and (iv) our other estimated fees and expenses of approximately RMB15.3 million.

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Among the estimated aggregate amount of our estimated listing expenses, approximately RMB64.0 million of which is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately RMB2.6 million is expected to be charged to our profit or loss, of which approximately RMB0.6 million, RMB0.6 million and RMB0.2 million was recognised in our profit or loss for FY2022, FY2023 and 6M2024, respectively.

Our Directors would also like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

*Note:* The two financial advisers are (i) Beijing Yibo Enterprise Management Consulting Company Limited\* (北京亦博企業管理諮詢有限公司) (“Yibo”), which provided us with general financing and advisory services in relation to the Listing, including (among other things) introducing and assisting in negotiations with potential investors, advising on selecting the listing venue and other professional parties, and assisting in early-stage pre-listing preparations; and (ii) New Origin Investment Management (Beijing) Company Limited\* (新原點投資管理(北京)有限公司), which provided us with general financing and advisory services in relation to the Listing, including (among other things) introducing and assisting in negotiations with potential investors, assisting in business positioning, establishing the internal control system and initial assessment of our financial eligibility for listing, and providing other ongoing advisory services. To the best knowledge and information of our Directors, except for an employee of our Company holding approximately 0.1% minority partnership interest in Tongda and also being the supervisor of Yibo as at the Latest Practicable Date, neither of the financial advisers (except for being our financial advisers) had any past or present relationship, including business, employment, family, trust, financing or otherwise, with our Company and its subsidiaries, their respective shareholders, directors, supervisors, senior management, or any of their respective associates, and each of the financial advisers is an Independent Third Party.

### DIVIDENDS AND DISTRIBUTABLE RESERVE

We did not declare or pay any dividend during the Track Record Period. After the Track Record Period and up to the Latest Practicable Date, we did not propose or declare any dividend to our Shareholders. Our Company currently does not have any predetermined dividend payout ratio. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future.

We do not currently have a formal dividend policy but have adopted one effective upon Listing. The payment and the amount of any dividends of our Company, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our Directors’ discretion. Any distribution of dividends will also be subject to the approval of our Shareholders at Shareholders’ meeting. Dividends may be paid only out of our distributable profits as permitted under the Articles of Association and relevant laws and regulations.

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As at 30 June 2024, our Company had retained earnings of approximately RMB122.8 million as distributable reserve available for distribution to our Shareholders.

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to “A. Unaudited pro forma statement of adjusted net tangible assets” in Appendix II to this prospectus for the details of our unaudited pro forma adjusted consolidated net tangible assets.

### OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

### PROPERTY INTERESTS

Please refer to “Business – Properties” in this prospectus for the further details of our leased property interests.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 30 June 2024 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects. Our Directors also confirm that there have been no events since 30 June 2024 which would materially affect the information shown in the Accountant’s Report in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to “Business – Our strategies” in this prospectus for further details of our future plans.

### USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$15.0 per Offer Share (being the mid-point of the indicative Offer Price range), we estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting fees and commission and estimated expenses payable by our Group in connection with the Global Offering) will be approximately HK\$427.9 million. We intend to apply such net proceeds in the following manner:

#### 1. Enhance our R&D capabilities

We intend to allocate approximately HK\$266.2 million, representing approximately 62.2% of our net proceeds from the Global Offering, to our ongoing R&D investment to enhance our technological capabilities and enhance our key technological competitiveness in the next three years. Specifically, we intend to apply the net proceeds earmarked for this purpose to the following R&D initiatives:

##### *Continuing to develop and upgrade our existing solutions*

- Approximately HK\$75.0 million, representing approximately 17.5% of our net proceeds, will be allocated to the R&D of our existing solutions, *Sim Pro*, *Safety Pro*, *SceCo Pro* and *Traffic Pro*, mainly for (i) recruiting technical professionals and industry experts in areas such as software engineering, algorithm engineering, ICV testing, product and user interface design; and (ii) purchasing new software products such as software development tools and systems, and hardware equipment such as computers and servers:
  - Approximately HK\$16.8 million, representing approximately 3.9% of our net proceeds, will be allocated to further upgrade and enhance our proprietary simulation tool chain *Sim Pro*, including upgrading and optimising (i) models for an array of real-world physical sensors, such as cameras, LiDAR and millimetre-wave radar, which will provide basic sensor functions as well as special functions that allow users the flexibility to change configurations of the models to control, for example, noises, irregularities, etc. of the environment perception data produced by the sensor models; (ii) vehicle-cloud-vehicle data closed-loop based on cloud simulation to achieve automatic generation and performance of simulation testing tasks; and (iii) a new module to enhance the performance of the XiL testing.

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately HK\$16.4 million, representing approximately 3.9% of our net proceeds, will be allocated to upgrade and improve our safety analysis tool **Safety Pro** by upgrading and optimising the functions of (i) intelligent analysis which will greatly reduce reliance on manpower in performing safety analysis so as to improve the efficiency and cost-effectiveness of safety analysis as required by relevant industry standards such as ISO 21448; and (ii) automatic generation of FuSa and SOTIF scenario databases which will increase the efficiency of scenario generation, and the scenarios generated will better cater to the further simulation tests of the autonomous driving solutions.
- Approximately HK\$22.4 million, representing approximately 5.2% of our net proceeds, will be allocated to upgrade and improve **SceCo Pro** by (i) developing the function of integrating data from multiple sources; (ii) developing the function of cloud deployment; and (iii) developing the function of automatic generation of customised scenarios.
- Approximately HK\$19.4 million, representing approximately 4.5% of our net proceeds, will be allocated to upgrade and improve **Traffic Pro** by (i) optimising the high-precision real-time data processing engine; (ii) developing more optimisation algorithms for intelligent signal light; and (iii) enhancing the compatibility of **Traffic Pro** with different operating systems.

To execute the above initiatives, we plan to recruit a total of 42 technical professionals and industry experts, respectively, who are specialised in software engineering, algorithm engineering, product design, ICV testing, industry research, etc. over the next three years, consisting of 14, 26 and 2 staff for the years ending 31 December 2025, 2026 and 2027, respectively, for upgrading **Sim Pro**, **Safety Pro**, **SceCo Pro** and **Traffic Pro**. Our technical staff will be based in our office premises and R&D facilities in mainland China and Hong Kong.



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## FUTURE PLANS AND USE OF PROCEEDS

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### *Developing new ICV testing, validation and evaluation solutions*

- Approximately HK\$131.8 million, representing approximately 30.8% of our net proceeds, will be allocated to the R&D of the following tools (which can be integrated into our simulation testing solutions and/or independently offered to our customers as standalone software products), mainly for (i) recruiting technical professionals and industry experts in areas such as software engineering, algorithm engineering, ICV testing, product and user interface design; (ii) purchasing new software products such as software development tools and systems, and hardware equipment such as computers and servers; (iii) leasing cloud services from suppliers to support our provision of cloud-based solutions to customers as well as our internal R&D activities; and (iv) purchasing software and hardware to build our own cloud infrastructure:
  - approximately HK\$23.9 million, representing approximately 5.6% of our net proceeds will be allocated to the development of **SGO Pro**, a tool used to generalise and optimise scenarios. **SGO Pro** is expected to be integrated into our **Sim Pro**-embedded simulation testing solutions to be sold to customers and/or independently offered to customers as a standalone and general scenario generalisation and optimisation tool applicable to scenarios of various different ICV simulation testing software in the market;
  - approximately HK\$22.1 million, representing approximately 5.2% of our net proceeds will be allocated to the development of **DB Pro**, a cloud-based scenario management platform used for back-office management including AI analysis of scenarios and is compatible with various different ICV simulation testing software in the market. **DB Pro** will give customers access to a much larger number and variety of scenarios than the existing scenario database built within **Sim Pro**;
  - approximately HK\$25.2 million, representing approximately 5.9% of our net proceeds, will be used to develop **Cloud Pro**, which is a cloud-based software that provides users with one-stop ICV simulation testing solutions that can significantly enhancing the efficiency and cost-effectiveness of ICV testing, validation and evaluation;
  - approximately HK\$43.3 million, representing approximately 10.1% of our net proceeds, will be used for lease of cloud services to support (i) our provision of cloud-based solutions to customers; and (ii) the internal R&D activities of our Group; and
  - approximately HK\$17.3 million, representing approximately 4.0% of our net proceeds, will be used to the development of our own cloud infrastructure to support the growth of our cloud-based solutions.

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## FUTURE PLANS AND USE OF PROCEEDS

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In respect of our above R&D initiatives, a total of 42 technical staff specialised in software engineering, algorithm engineering, product design, ICV testing, industry research, etc. are expected to be recruited over the next three years, consisting of 14, 26 and 2 staff for the years ending 31 December 2025, 2026 and 2027, respectively, to develop *SGO Pro*, *DB Pro* and *Cloud Pro*. Our technical staff will be based in our office premises and R&D facilities in mainland China and Hong Kong.

### *Penetration into new industries*

- Approximately HK\$59.4 million, representing approximately 13.9% of our net proceeds, will be allocated to R&D activities for penetrating into new industries, mainly for (i) recruiting technical professionals and industry experts in areas such as software engineering, algorithm engineering, ICV testing, product and user interface design; and (ii) purchasing new software products such as software development tools and systems, and hardware equipment such as computers and servers. We intend to explore new commercialisation opportunities and application scenarios of our simulation technologies in the following areas in the next four years:
  - *Drones*: approximately HK\$21.8 million, representing approximately 5.1% of our net proceeds, will be allocated to furthering our involvement in assisting both public and private sector customers in the operation management, testing and commercial application of drones.
  - *Digital city twin*: approximately HK\$18.0 million, representing approximately 4.2% of our net proceeds, will be allocated to our technology and product development in the area of digital city twin and intelligent transportation.
  - *Intelligent agriculture*: approximately HK\$19.6 million, representing approximately 4.6% of our net proceeds, will be allocated to the development of simulation testing solutions for intelligent agriculture machineries and other related products.

To execute the above initiatives, we intend to hire a total of 35 technical staff specialised in software engineering, algorithm engineering, product design, ICV testing, industry research, etc. over the next three years, consisting of 8, 23 and 4 staff for the years ending 31 December 2025, 2026 and 2027, respectively to support our plans to expand into drones, digital city twin and intelligent agriculture-related industries. Our technical staff will be based in our office premises and R&D facilities in mainland China and Hong Kong.

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## FUTURE PLANS AND USE OF PROCEEDS

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### 2. Geographic expansion and enhance our sales and marketing efforts

We intend to allocate approximately HK\$118.9 million, representing approximately 27.8% of our net proceeds from the Global Offering, for geographic expansion and marketing of our products and services. Specifically, we will invest in expanding our footprint to more cities in mainland China and Hong Kong, improving our management and business operations, and strengthening our sales and marketing efforts to capture the market opportunities in the emerging ICV testing, validation and evaluation solutions industry in both domestic and international markets. We intend to implement such strategies with a detailed breakdown of proceeds to be allocated as follows:

- approximately HK\$45.4 million, representing approximately 10.6% of our net proceeds, will be allocated to the lease of new office premises in mainland China and Hong Kong as well as the initial office renovation thereof to (i) accommodate the increase of our employees as a result of our future recruitment plans; and (ii) support our expansion plans and the set-up of new offices in more cities in mainland China and Hong Kong. We believe that setting up new offices in cities where we intend to expand our business will help us forge and maintain strong relationships with local customers as well as provide prompt services to them when needed (such as on-site installation services and after-sales services);
- approximately HK\$24.6 million, representing approximately 5.7% of our net proceeds, will be allocated to expanding our management and administration team by attracting additional management from middle to high levels and other administration talents; and
- approximately HK\$48.9 million, representing approximately 11.5% of our net proceeds, will be used to increase our sales and marketing efforts which we believe will help us enhance the brand awareness of our solutions, broaden our customer base and pursue our business expansion plans. Specifically, we plan to recruit additional sales and marketing employees and organise and participate in more industry events, such as conferences, seminars and trade fairs, in mainland China and Hong Kong.

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## FUTURE PLANS AND USE OF PROCEEDS

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### 3. General corporate purposes and working capital

We intend to use approximately HK\$42.8 million, representing approximately 10.0% of our net proceeds from the Global Offering, for our general corporate purposes and to supplement our working capital.

The table below summarises the allocation of the net proceeds we will receive from the Global Offering over the next four years:

No.	Major categories	Percentage of total net proceeds (%)	Amount of proceeds allocated (HK\$' million)	Amount of proceeds by timeframe Year ending 31 December		
				2025 (HK\$' million)	2026 (HK\$' million)	2027 (HK\$' million)
1	Enhance our R&D capacities	62.2	266.2	52.7	104.2	109.3
2	Geographic expansion and enhance our sales and marketing efforts	27.8	118.9	38.6	39.4	40.9
3	General corporate purposes and working capital	10.0	42.8	N/A	N/A	N/A

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the highest point of the indicative Offer Price range at HK\$18.0 per Offer Share, the net proceeds from the Global Offering will increase by approximately HK\$97.0 million; and if the final Offer Price is set at the lowest point of the indicative Offer Price range at HK\$12.0 per Offer Share, the net proceeds from the Global Offering will decrease by approximately HK\$97.0 million.

Assuming that the Over-allotment Option is exercised in full, we estimate that the net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$612.2 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$18.0 per Offer Share; (ii) HK\$500.7 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$15.0 per Offer Share; and (iii) HK\$389.1 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$12.0 per Offer Share.

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## FUTURE PLANS AND USE OF PROCEEDS

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Our net proceeds from the Global Offering will be allocated to the purposes as disclosed above in the same proportions irrespective of: (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

To the extent that our net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors confirm that we will only deposit our net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other financial institutions as defined under the SFO or the applicable laws and regulations in the other jurisdiction. If there is any material change to the use of proceeds as disclosed above after the Listing, we will comply with the applicable requirements under the Listing Rules in due course.

### REASONS AND BENEFITS FOR THE LISTING

Our Directors consider that the Listing will provide the following benefits to our Group:

- (a) our Directors consider that we have genuine funding needs and commercial interest to pursue our business strategies and expansion plans via the Listing to fund our ongoing R&D activities and the upfront and continuous expenditure in expanding our geographic coverage in mainland China and Hong Kong and expanding our workforce as described in “Use of proceeds” in this section above. The net proceeds we expect to receive from the Global Offering will facilitate the implementation of our business strategies and strengthen our cash flow position which will enable us to support our future business expansion. Taking into account, among other things, (i) the growing projects and business engagements we may undertake in the future and our average working capital needs in the past; and (ii) our need to maintain a robust cash flow as we expand our business and operation scale, our Directors estimate that, in the absence of additional funding from the Listing, our internal financial resources would not be sufficient to support our expansion plans;
- (b) the Listing will broaden our Group’s shareholder base and potentially lead to a more liquid market in the trading of our H Shares which will be freely traded in the Stock Exchange, strengthen our capital base and provide a sustainable fund raising platform for us to raise further capital by issuing equity or debt securities in the future;
- (c) our Directors believe that the use of equity financing would avoid the risk of high interest payment generally associated with debt financing which may expose our Group to increasing financial costs in the future. Although we did not maintain any level of borrowings during the Track Record Period and as at the Latest Practicable Date, we may in the future obtain certain amount of banking facilities besides equity financing. Our Directors believe the listing status will enhance our position to negotiate with banks and financial institutions in obtaining credit lines on more favourable terms as compared to being a private company;

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## FUTURE PLANS AND USE OF PROCEEDS

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- (d) the ICV testing, validation and evaluation solutions market is characterised with relatively high entry barriers for new entrants to the market according to F&S. Further, all of the four other companies among the top five ICV simulation testing software and platforms providers in China in terms of revenue in 2023 are well-known technology companies in the world, according to F&S. Given that Hong Kong is an international financial centre and the stock market in Hong Kong is well-established and highly recognised internationally, our Directors believe that the Listing will help strengthen our capital base, elevate the profile of our Group, reinforce our brand awareness, increase our recognition and raise our visibility within both China's and the world's ICV market in general, which will in turn assist us in bidding for and securing more projects from both public and private market players in the ICV market and help us generate more business opportunities, thereby enabling us to compete with and distinguish from other market players in the ICV testing, validation and evaluation solutions industry;
- (e) the Listing will help our Group raise staff morale and confidence in our Group, which would improve our position and ability to attract, retain and motivate high-calibre talents, including key technical personnel who are intensively competed for in the new and evolving technology-driven ICV and related industries and are essential for our continuous technological innovation and business growth;
- (f) the Listing will enhance our credibility with our customers and suppliers, and will provide our customers and suppliers with greater security and confidence when conducting business with us and allow us to gain a competitive edge over other non-listed market players, and at the same time strengthen and reinforce our bargaining power in negotiating business terms with our customers and suppliers; and
- (g) the Listing will enhance our standards of corporate governance and internal control as well as promote transparency of our Group, as we have adopted or will adopt a series of internal policies and procedures that are designed to reasonably assure sound corporate governance practice, reliable financial reporting and internal control system following the Listing.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

CEB International Capital Corporation Limited  
CLSA Limited  
China Galaxy International Securities (Hong Kong) Co., Limited  
CMB International Capital Limited  
ICBC International Securities Limited  
CCB International Capital Limited  
BOCOM International Securities Limited  
SPDB International Capital Limited  
Livermore Holdings Limited  
China Sunrise Securities (International) Limited  
Citrus Securities Limited  
Aristo Securities Limited  
SilkyWater Asset Management Limited  
SBI China Capital Financial Services Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators and the Overall Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 3,333,400 Hong Kong Offer Shares and the International Offering of initially 30,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 3,333,400 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

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## UNDERWRITING

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Subject to (a) the Stock Exchange granting the listing of, and permission to deal in the H Shares to be offered as mentioned in this prospectus and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the due execution of the International Underwriting Agreement by the parties thereto on or before the Price Determination Date and the obligations of the International Underwriters thereunder having become and remaining unconditional in accordance with its terms and the International Underwriting Agreement not having been subsequently terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date.

### *Grounds for termination*

If any of the events set out below occur at any time prior to 8:00 am on the Listing Date, the Sponsor-Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to terminate the Hong Kong Underwriting Agreement by written notice to our Company with immediate effect:

- (a) there has come to the notice of the Sponsor-Overall Coordinator and/or any of the Hong Kong Underwriters:
  - (i) that any statement contained in any of this prospectus and the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
  - (iii) any breach on the part of the Warrantors of any of the obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement which has or may have or will have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) on the Global Offering; or



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## UNDERWRITING

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- (iv) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any material respect, any of the Warranties; or
  - (v) any event that has or may have or will have a Material Adverse Effect on the Company or the Global Offering; or
  - (vi) the approval by the Stock Exchange of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) the Company withdraws any of the Relevant Documents or the Global Offering; or
  - (viii) any expert (other than the Sole Sponsor) specified in this prospectus has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
  - (ix) a portion of the orders placed or confirmed in the book-building process, at the time the International Underwriting Agreement is entered into have been withdrawn, terminated or cancelled, and the Sponsor-Overall Coordinator, in its sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances in the nature of force majeure which beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, political change, economic sanctions, withdrawal of trading privileges, state of emergency, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, contagious coronavirus (COVID-19), Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), swine or avian influenza, H5N1, H1N1, H7N9, Ebola virus and such related or mutated forms, but excluding such diseases subsisting as of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), pandemics or epidemics or interruption or delay in transportation) in or affecting any of the US, the United Kingdom, the European Union, Hong Kong, the PRC, or any other jurisdictions

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## UNDERWRITING

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relevant to any member of the Group or the Global Offering (collectively, the “**Specific Jurisdictions**”) but excluding such event(s) or circumstance(s) subsisting as of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter;

- (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any material change or development involving a prospective material change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Specific Jurisdictions; or
- (iii) the imposition after the date of the Hong Kong Underwriting Agreement of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange; or
- (iv) any new Laws, or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any Specific Jurisdictions; or
- (v) the imposition after the date of the Hong Kong Underwriting Agreement of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union, or any of the Specific Jurisdictions, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, other than those publicly proposed on or prior to the date of the Hong Kong Underwriting Agreement, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a material change or development involving a prospective material change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, a material devaluation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions; or

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## UNDERWRITING

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- (viii) any material litigation or claim of any third party or investigations or actions being announced, threatened or instigated against the Company or any members of the Group; or
- (ix) the chairman of the Company, any Director, any Supervisors or any senior management of the Company disclosed in this prospectus being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman of the Company, any Director, any Supervisors or any senior management of the Company disclosed in this prospectus vacating his/her office; or
- (xi) a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organization in any Specific Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, any Director any Supervisors or any senior management of the Company disclosed in this prospectus;
- (xii) the commencement by any governmental or regulatory body or organisation or self-regulatory organisation of any action against any Director or Supervisors in his capacity as such or an announcement by any governmental, regulatory body or organisation that it intends to take any such action; or
- (xiii) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or any other laws applicable to the Global Offering;
- (xiv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering by the Company; or
- (xvi) except with the prior written consent of the Sponsor-Overall Coordinator, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange, the CSRC and/or SFC; or

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## UNDERWRITING

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- (xvii) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xviii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which in each case individually or in aggregate at the sole and absolute opinion of the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters):

- (i) has or is or will have or is likely to have a Material Adverse Effect on the Group as a whole; or
- (ii) has or will have or is likely to have a Material Adverse Effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (iii) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to proceed or to market the Global Offering; or
- (iv) has or will have or is likely to have the material adverse effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

### ***Undertakings pursuant to the Hong Kong Underwriting Agreement***

#### ***(A) Undertakings by our Company***

Except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters)(such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

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## UNDERWRITING

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- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company, as applicable, or any interests in any of the foregoing (including without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any H Shares or other equity securities of our Company), or deposit any H Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or other equity securities of our Company, or any interest in any of the foregoing (including without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of H Shares or other equity securities of our Company, or, in cash or otherwise (whether or not the issue of such H Shares or other securities will be completed within the First Six-month Period). Our Company will not, and will procure each other the member of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces, or publicly discloses, any intention to effect any such transactions, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares or other securities of our Company in a manner that violates the Listing Rules and/or the SFO.

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## UNDERWRITING

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Our Company has agreed and undertaken that it will not effect any purchase of H Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% without having first obtained the prior written consent of the Sponsor-Overall Coordinator.

*(B) Undertakings by our Controlling Shareholders*

Each Controlling Shareholder jointly and severally undertakes to each of our Company, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) at any time during the First Six-Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for him/her/it and the companies controlled by him/her/it (together, the “**Controlled Entities**”) shall not, (i) offer, pledge, charge, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any H Shares or other equity securities of our Company or any interest therein (including without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other equity securities of our Company or any interest in any of the foregoing) beneficially owned by him/her/it directly or indirectly through the Controlled Entities (the “**Relevant Securities**”), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, (iii) enter into or effect any transaction with the same economic effect as any of the transactions referred to in (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in (a)(i), (ii) or (iii) above, in each case, whether any of the foregoing transactions referred to in (a)(i), (ii) or (iii) above is to be settled by delivery of H Shares or such other equity securities of our Company or in cash or otherwise (whether or not the issue of such H Shares or other securities of our Company will be completed within the First Six-Month Period);
- (b) at any time during the Second Six-Month Period, the Controlling Shareholder shall not and shall procure that the Controlled Entities will not, enter into any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it would

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## UNDERWRITING

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cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be the “controlling shareholders” (as defined in the Listing Rules) of our Company;

- (c) in the event that the Controlling Shareholder enters into any of the transactions specified in (a)(i) or (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, he/she/it shall take all reasonable steps to ensure that he/she/it will not create a disorderly or false market for any H Shares or other equity securities of our Company;
- (d) at any time during the First Six-Month Period and the Second Six-Month Period, he/she/it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder(s) and/or other Controlled Entities of any H Shares or other equity securities of our Company;
- (e) at any time during the First Six-Month Period and the Second Six-Month Period, he/she/it will:
  - (i) when he/she/it pledges or charges any equity securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sponsor-Overall Coordinator in writing of such pledges or charges together with the number of other securities and nature of interest so pledged or charged; and
  - (ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged equity securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Sponsor-Overall Coordinator in writing of such indications.

### ***Undertakings to the Stock Exchange pursuant to the Listing Rules***

#### ***(A) Undertakings by our Company***

We have undertaken to the Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Global Offering and the exercise of the Over-allotment Option, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or (where applicable) sold or transferred out of treasury, or form the subject of any agreement to such an issue, or (where applicable) sale or transfer out of treasury within six months from the date on which our H Shares first commence dealing on the Stock Exchange (whether or not such issue of shares or securities, or (where applicable) sale or transfer of treasury shares will be completed within six months from the commencement of dealing).



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## UNDERWRITING

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*(B) Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, that he/she/it will not, and shall procure that the relevant registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules or pursuant to the Global Offering:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**Relevant First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) (the “**Banking Ordinance**”) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules) in respect of, any of our securities in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (b) in the period of six months commencing on the date on which the Relevant First Six-month Period expires (the “**Relevant Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules) in respect of, any of the Parent Shares, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the Relevant First Six-month Period and the Relevant Second Six-month Period, he/she/it will:

- (a) if he/she/it pledges or charges any of our securities beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately informs us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of his/its pledged or charged securities will be disposed of, immediately inform us in writing of such indications.



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## UNDERWRITING

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We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

### ***Hong Kong Underwriters' interests in our Company***

Save for its obligations under the Hong Kong Underwriting Agreement, and save for as disclosed in “History, Development and Corporate Structure” in this prospectus, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H Shares or any securities of any member of our Group or had any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or purchase, or nominate persons to subscribe for or purchase, any H Shares or any securities in our Company or any member of our Group.

Following completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

### **International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to purchase, or procure subscribers to purchase, the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. For details, please refer to “Structure of the Global Offering – The International Offering” in this prospectus.

#### ***Over-allotment Option***

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators and the Overall Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to allot and issue up to an aggregate of 5,000,000 H Shares, representing not more than 15% of the maximum

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## UNDERWRITING

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number of Offer Shares initially available under the Global Offering at the Offer Price to, cover over-allocations (if any) in the International Offering. For details, please refer to “Structure of the Global Offering – The International Offering – Over-allotment Option” in this prospectus.

### *Commissions and expenses*

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares (including the proceeds pursuant to the exercise of the Over-allotment Option) (the “Gross Proceeds”). Furthermore, our Company may, at our sole and absolute discretion, pay the Underwriters and the Capital Market Intermediaries an additional discretionary incentive fee of up to 1.0% (the “Incentive Fee”) of the Gross Proceeds, the allocation of which would be determined at our sole and absolute discretion. For the purpose of Listing Rules, assuming full payment of the Incentive Fee, the ratio of the fixed fees and discretionary fees payable to the Underwriters and the Capital Market Intermediaries is therefore 75:25.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission attributable to such reallocated Hong Kong Offer Shares to the Overall Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters) and such underwriting commission will be at rate applicable to the international offering.

The sponsor’s fees paid and payable to the Sole Sponsor are HK\$6.0 million in aggregate.

The aggregate of the underwriting commission, the discretionary fee and the estimated expenses, together with the listing fee, the SFC transaction levy, the AFRC transaction levy, the Stock Exchange trading fee, the brokerage fee, the legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to be about RMB66.6 million (on the assumption that the Over-allotment Option is not exercised and based on an Offer Price of the mid-point of the Offer Price Range) and will be paid by us.

### **Indemnity**

Each of our Company and our Controlling Shareholders has agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and/or any of our Controlling Shareholders of the Hong Kong Underwriting Agreement.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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## UNDERWRITING

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- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

- (i) the Hong Kong Public Offering of initially 3,333,400 H Shares (subject to reallocation) in Hong Kong as described in “The Hong Kong Public Offering” in this section below; and
- (ii) the International Offering of initially 30,000,000 H Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “The International Offering” in this section below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option, if any, as set out in “The International Offering– Over-allotment Option” in this section below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “The Hong Kong Public Offering – Reallocation and clawback” in this section below.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 3,333,400 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of our Company's issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "Conditions of the Global Offering" in this section below.

### **Allocation**

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (subject to any reallocation referred to below) is to be divided into two pools: 1,666,800 Offer Shares for Pool A and 1,666,600 Offer Shares for Pool B, with any odd board lots being allocated to Pool A. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in Pool B. Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, such undersubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 1,666,600 Hong Kong Offer Shares (being 50.0% of the 3,333,400 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation and clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached (“**Mandatory Reallocation**”). In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 10,000,200, 13,333,400 and 16,666,800 H Shares, respectively, representing approximately 30.0% (in the case of (i)), approximately 40.0% (in the case of (ii)) and approximately 50.0% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sponsor-Overall Coordinator deems appropriate, and such additional Offer Shares will be reallocated between Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Sponsor-Overall Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sponsor-Overall Coordinator deems appropriate.

In addition to any Mandatory Reallocation which may be required, the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering in accordance with Chapter 4.14 (Offering-related Mechanisms) of the Guide for New Listing Applicants. In the event that (i) the International Offer H Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, in accordance with Chapter 4.14 (Offering-related Mechanisms) of the Guide for New Listing Applicants, up to 3,333,400 additional Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the H Shares available under the Hong Kong Public Offering will be increased to 6,666,800 H Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering or approximately 20.0% of the total number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price would be set at HK\$12.0 per Offer Share, being the low-end of the indicative Offer Price range.



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## STRUCTURE OF THE GLOBAL OFFERING

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### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$18.0 per H Share in addition to any brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing and allocation" in this section below, is less than the maximum price of HK\$18.0 per H Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to apply for Hong Kong Offer Shares" in this prospectus.

### **THE INTERNATIONAL OFFERING**

#### **Number of Offer Shares initially offered**

Subject to reallocation as described above and the exercise of the Over-allotment Option, the International Offering will consist of an aggregate of 30,000,000 Offer Shares to be initially offered by our Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

#### **Allocation**

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and allocation" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.



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## STRUCTURE OF THE GLOBAL OFFERING

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The Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators and the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in “The Hong Kong Public Offering – Reallocation and clawback” in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriter(s) exercisable by the Sponsor-Overall Coordinator on behalf of the International Underwriter(s).

Pursuant to the Over-allotment Option, the International Underwriter(s) will have the right, exercisable by the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) at any time and from time to time on or before the expiration of the period of thirty (30) calendar days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 5,000,000 additional Offer Shares, representing not more than 15.0% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### **STABILISATION**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

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## STRUCTURE OF THE GLOBAL OFFERING

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In connection with the Global Offering, the Stabilising Manager or its affiliates or any person acting for them, on behalf of the Underwriter(s), may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of H Shares than the Underwriter(s) are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option, to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Share that may be sold under the Over-allotment Option, if any, namely 5,000,000 H Shares, which is approximately 15.0% of the total number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option, if any, is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the H Shares;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the Shares;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option, in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimising any reduction in the market price;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (e) selling or agreeing to sell any H Shares to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the H Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilising Manager or any person acting for it will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates such long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilising period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on Sunday, 9 February 2025. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the H Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

### **Over-allocation**

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilising Manager (or its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using the H Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING AND ALLOCATION

#### Determining the Offer Price

The International Underwriter(s) will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Monday, 13 January 2025, by agreement between Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

#### Offer Price range

The Offer Price will not be more than HK\$18.0 per Offer Share and is expected to be not less than HK\$12.0 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

#### Reduction in Offer Price and/or Number of Offer Shares

The Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be announced on the website of our Company at [www.saimo.cloud](http://www.saimo.cloud) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), notices of the reduction, and the cancellation of the Share Offer and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

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## STRUCTURE OF THE GLOBAL OFFERING

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As soon as practicable after such reduction in the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Share Offer and/or the Offer Price, and giving investors at least three (3) Business Days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalisation; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds. The Share Offer must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer, which is Friday, 10 January 2025. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Share Offer (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or change in the number of Offer Shares and/or Offer Price resulting in the expected market capitalisation of our Company falling below the minimum market capitalisation of HK\$500 million prescribed under Rule 8.09(2) of the Listing Rules or if our Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in the Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Share Offer and issue a supplemental prospectus or a new prospectus and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the event of a reduction in the number of Offer Shares, the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters).

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## STRUCTURE OF THE GLOBAL OFFERING

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### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter(s) under the terms of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

Our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in “Underwriting” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such approval and permission not having been withdrawn or revoked prior to the Listing Date;
- (ii) the Offer Price having been agreed among our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriter(s) under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

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## STRUCTURE OF THE GLOBAL OFFERING

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in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to extent such conditions are validly waived on or before such dates and times) and in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed among our Company and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Monday, 13 January 2025, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse, and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.saimo.cloud](http://www.saimo.cloud)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to apply for Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Tuesday, 14 January 2025 but will only become valid evidence of title at 8:00 a.m. on Wednesday, 15 January 2025 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in the H Shares to be issued pursuant to the Global Offering, including the H Shares which may be sold pursuant to the exercise of the Over-allotment Option.

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. If the Stock Exchange grants the approval for the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 15 January 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 15 January 2025.

The H Shares will be traded in board lots of 200 H Shares each and the stock code of the H Shares will be 2571.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

#### FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.saimo.cloud](http://www.saimo.cloud).

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### A. APPLICATION FOR HONG KONG OFFER SHARES

##### 1. Who can apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the White Form eIPO service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or its close associates; or
- are a Director, a Supervisor or any of his/her close associates.

##### 2. Application channels

The Hong Kong Public Offering period will begin at 9:00 am on Tuesday, 31 December 2024 and end at 12:00 noon on Friday, 10 January 2025 (Hong Kong time).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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To apply for Hong Kong Offer Shares, you may use one of the following application channels:

<b>Application channel</b>	<b>Platform</b>	<b>Target investors</b>	<b>Application time</b>
<b>White Form eIPO service</b>	<b><u><a href="http://www.eipo.com.hk">www.eipo.com.hk</a></u></b>	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 am on Tuesday, 31 December 2024 to 11:30 a.m. on Friday, 10 January 2025, Hong Kong time.  The latest time for completing full payment of application monies will be 12:00 noon on Friday, 10 January 2025, Hong Kong time.
<b>HKSCC EIPO channel</b>	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorised the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3. Information required to apply

You must provide the following information with your application:

#### For Individual/Joint applicants

- Full name(s)<sup>2</sup> as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

#### For corporate applicants

- Full name(s)<sup>2</sup> as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

#### Notes:

- (1) If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
- (2) The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
- (3) If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
- (4) The maximum number of joint applicants on FINI is capped at 4<sup>(1)</sup> in accordance with market practice.
- (5) If you are applying as a nominee, you must provide (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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<sup>1</sup> Subject to change, if our Company's Articles of Incorporation and applicable company law prescribe a lower cap.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (6) If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

#### 4. Permitted number of Hong Kong Offer Shares for application

**Board lot size** : 200 H Shares

**Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$18.0 per Offer Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC eIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable <sup>(2)</sup> on application HK\$
200	3,636.31	4,000	72,726.12	60,000	1,090,891.80	450,000	8,181,688.50
400	7,272.61	5,000	90,907.66	70,000	1,272,707.10	500,000	9,090,765.00
600	10,908.92	6,000	109,089.18	80,000	1,454,522.40	600,000	10,908,918.00
800	14,545.22	7,000	127,270.71	90,000	1,636,337.70	700,000	12,727,071.00
1,000	18,181.54	8,000	145,452.25	100,000	1,818,153.00	800,000	14,545,224.00
1,200	21,817.83	9,000	163,633.76	150,000	2,727,229.50	900,000	16,363,377.00
1,400	25,454.14	10,000	181,815.30	200,000	3,636,306.00	1,000,000	18,181,530.00
1,600	29,090.45	20,000	363,630.60	250,000	4,545,382.50	1,200,000	21,817,836.00
1,800	32,726.75	30,000	545,445.90	300,000	5,454,459.00	1,400,000	25,454,142.00
2,000	36,363.05	40,000	727,261.20	350,000	6,363,535.50	1,666,600 <sup>(1)</sup>	30,301,337.90
3,000	54,544.59	50,000	909,076.50	400,000	7,272,612.00		

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 5. Multiple applications prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under “A. Applications for Hong Kong Offer Shares – 3. Information required to apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service; (ii) **HKSCC EIPO** channel; or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

### 6. Terms and conditions of an application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons<sup>(2)</sup>, the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under “G. Personal data – 3. Purposes” and “G. Personal data – 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in “B. Publication of results” in this section;
- (x) confirm that you are aware of the situations specified in “C. Circumstances in which you will not be allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

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2 As defined in this prospectus, Relevant Persons would include the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or our Company’s respective Directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the Directors, Supervisors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the Directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC; and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### B. PUBLICATION OF RESULTS

#### Results of allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time	
Applying through <b>White Form eIPO</b> service or <b>HKSCC EIPO</b> channel:		
Website	The designated results of allocation at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a> ) with a “search by ID” function	24 hours, from 11:00 p.m. and Tuesday, 14 January 2025 to 12:00 midnight and Monday, 20 January 2025 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the <b>White Form eIPO</b> service and <b>HKSCC EIPO</b> channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the <b>White Form eIPO</b> service at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a> ).	
	The Stock Exchange’s website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our website at <a href="http://www.saimo.cloud">www.saimo.cloud</a> which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, 14 January 2025 (Hong Kong time).
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Wednesday, 15 January 2025 to Monday, 20 January 2025 (Hong Kong time) on a business day

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, 13 January 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, 13 January 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

### **Allocation announcement**

We expect to announce the results of the final Offer Price, the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.saimo.cloud](http://www.saimo.cloud) by no later than 11:00 p.m. on Tuesday, 14 January 2025 (Hong Kong time).

### **C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES**

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

#### **1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### **2. If we or our agents exercise our discretion to reject your application:**

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

#### **3. If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. If:

- you make multiple applications or suspected multiple applications. You may refer to “A. Applications for Hong Kong Offer Shares – 5. Multiple applications prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

### 5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Shares allotment from their designated bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, 15 January 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	<b>White Form eIPO service</b>	<b>HKSCC EIPO channel</b>
<b>Despatch/collection of H Share certificate<sup>(3)</sup></b>		
<b>For physical share certificates of 1,000,000 or more Offer Shares issued under your own name</b>	Collection in person at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong  <b>Time:</b> from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2025 (Hong Kong time)	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account  No action by you is required

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<sup>3</sup> Except in the event of any Bad Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “– E. Bad Weather Arrangements” in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### White Form eIPO service    HKSCC EIPO channel

If you are an individual,  
you must not authorise  
any other person to  
collect for you. If you  
are a corporate  
applicant, your  
authorised representative  
must bear a letter of  
authorisation from your  
corporation stamped  
with your corporation's  
chop

Both individuals and  
authorised  
representatives must  
produce, at the time of  
collection, evidence of  
identity acceptable to  
the H Share Registrar

**Note:** If you do not collect  
your H Share  
certificate(s) personally  
within the time above,  
it/they will be sent to  
the address specified in  
your application  
instructions by ordinary  
post at your own risk

**For physical share  
certificates of less than  
1,000,000 Offer Shares  
issued under your own  
name**

Your H Share certificate(s)  
will be sent to the  
address specified in your  
application instructions  
by ordinary post at your  
own risk

**Time:** Tuesday, 14 January  
2025

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### White Form eIPO service    HKSCC EIPO channel

#### Refund mechanism for surplus application monies paid by you

<b>Date</b>	Wednesday, 15 January 2025	Subject to the arrangement between you and your broker or custodian
<b>Responsible party</b>	H Share Registrar	Your broker or custodian
<b>Application monies paid through single bank account</b>	<b>White Form</b> e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
<b>Application monies paid through multiple bank accounts</b>	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

#### E. BAD WEATHER ARRANGEMENTS

##### The opening and closing of the application lists

The application lists will not open or close on Friday, 10 January 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an Extreme Condition(s),

(collectively “**Bad Weather Signal(s)**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 10 January 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Bad Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.saimo.cloud](http://www.saimo.cloud) of the revised timetable.

If a Bad Weather Signal is hoisted on Tuesday, 14 January 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Wednesday, 15 January 2025.

If a Bad Weather Signal is hoisted on Tuesday, 14 January 2025:

- for physical H Share certificates of less than 1,000,000 offer shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Bad Weather Signals is lowered or cancelled (e.g. in the afternoon of Tuesday, 14 January 2025 or on Wednesday, 15 January 2025).

If a Bad Weather Signal is hoisted on Wednesday, 15 January 2025:

- for physical H Share certificates of 1,000,000 or more offer shares issued under your own name, you may pick them up from the H Share Registrar’s office after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, 15 January 2025 or on Thursday, 16 January 2025).

**Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.**

### **F. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

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

You should seek the advice of your broker or other professional adviser for details of the settlement arrangement as such arrangements may affect your rights and interests.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### 1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### 2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

#### 3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

#### **4. Transfer of personal data**

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

### **5. Retention of personal data**

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### **6. Access to and correction of personal data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

## **ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING SAIMO TECHNOLOGY CO., LTD. AND CEB INTERNATIONAL CAPITAL CORPORATION LIMITED**

### **Introduction**

We report on the historical financial information of Beijing Saimo Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-81, which comprises the consolidated balance sheets as at December 31, 2021, 2022, 2023 and June 30, 2024, the company balance sheets as at December 31, 2021, 2022, 2023 and June 30, 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 31, 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022, 2023 and June 30, 2024 and the consolidated financial position of the Group as at December 31, 2021, 2022, 2023 and June 30, 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information. Our

responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to Note 33 to the Historical Financial Information which states that no dividends have been paid by Beijing Saimo Technology Co., Ltd. in respect of the Track Record Period.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, December 31, 2024

**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended	
	Note	2021	2022	2023	June 30,	2024
		RMB'000	RMB'000	RMB'000	2023	2024
					(Unaudited)	
<b>Revenue</b>	6	106,906	145,385	175,703	21,627	55,560
Cost of sales	9	(42,862)	(50,009)	(51,139)	(8,443)	(16,496)
<b>Gross profit</b>		64,044	95,376	124,564	13,184	39,064
Other income	7	14,506	12,585	40,871	20,815	13,482
Other gains/(losses), net	8	5,395	5,450	1,192	1,174	(449)
Selling and marketing expenses	9	(2,458)	(6,508)	(7,731)	(2,693)	(5,179)
General and administrative expenses	9	(15,816)	(26,167)	(31,472)	(12,097)	(14,850)
Research and development expenses	9	(27,127)	(30,903)	(71,331)	(32,898)	(41,106)
Credit loss allowance (recognized)/reversed, net	9	(170)	(1,955)	(7,024)	(2,317)	1,931
<b>Operating profit/(loss)</b>		38,374	47,878	49,069	(14,832)	(7,107)
Share of profit/(loss) of investments accounted for using the equity method	17	–	356	33	1,411	(662)
Finance income	11	1,045	2,132	3,123	2,147	1,707
Finance costs	11	(288)	(1,680)	(1,470)	(704)	(684)
<b>Profit/(loss) before income tax</b>		39,131	48,686	50,755	(11,978)	(6,746)
Income tax (expenses)/credit	12	(1,560)	–	2,676	913	2,147
<b>Profit/(loss) and total comprehensive income/(losses) for the year/period</b>		<u>37,571</u>	<u>48,686</u>	<u>53,431</u>	<u>(11,065)</u>	<u>(4,599)</u>
<b>Profit/(loss) and total comprehensive income/(losses) attributable to:</b>						
Owners of the Company		37,747	50,330	55,479	(9,898)	(4,743)
Non-controlling interests		(176)	(1,644)	(2,048)	(1,167)	144
		<u>37,571</u>	<u>48,686</u>	<u>53,431</u>	<u>(11,065)</u>	<u>(4,599)</u>
<b>Earnings/(losses) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)</b>	13					
Basic		0.45	0.52	0.56	(0.10)	(0.05)
Diluted		0.45	0.51	0.56	(0.10)	(0.05)



## CONSOLIDATED BALANCE SHEETS

		As at December 31,			As at
	Note	2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
<b>Assets</b>					
<b>Non-current assets</b>					
Right-of-use assets	14(a)	5,438	22,557	26,346	18,603
Equipment	15	7,294	37,510	62,321	48,703
Intangible assets	16	7,409	15,980	31,742	35,999
Financial assets at fair value through profit or loss	19	19,449	24,622	25,882	25,434
Investments in an associate	17	–	846	879	217
Contract assets	6(a)	–	–	–	2,428
Deferred income tax assets	30	–	–	2,676	4,823
Other non-current assets		584	603	1,635	1,635
<b>Total non-current assets</b>		<u>40,174</u>	<u>102,118</u>	<u>151,481</u>	<u>137,842</u>
<b>Current assets</b>					
Contract fulfilment costs	20	3,138	7,695	1,742	16,963
Contract assets	6(a)	6,906	7,414	8,133	6,685
Trade and notes receivables	21	49,422	139,995	165,695	150,043
Prepayments and other receivables	22	14,225	32,235	39,462	48,669
Financial assets at fair value through profit or loss	19	100,259	100,596	112,201	107,168
Restricted cash	23(c)	20,003	3,660	3,669	3,669
Term deposits with initial term of over three months	23(b)	–	–	–	60,000
Cash and cash equivalents	23(a)	81,837	151,046	118,431	34,090
<b>Total current assets</b>		<u>275,790</u>	<u>442,641</u>	<u>449,333</u>	<u>427,287</u>
<b>Total assets</b>		<u><u>315,964</u></u>	<u><u>544,759</u></u>	<u><u>600,814</u></u>	<u><u>565,129</u></u>

**APPENDIX I**
**ACCOUNTANT'S REPORT**

		As at December 31,			As at
	Note	2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
<b>Equity</b>					
<b>Equity attributable to owners of the Company</b>					
Paid-in capital/Share capital	24	1,714	100,000	100,000	100,000
Reserves	25	164,554	264,678	271,130	271,734
Retained earnings		92,560	77,615	127,580	122,837
		<u>258,828</u>	<u>442,293</u>	<u>498,710</u>	<u>494,571</u>
<b>Non-controlling interests</b>		<u>6,194</u>	<u>4,550</u>	<u>2,702</u>	<u>2,846</u>
<b>Total equity</b>		<u>265,022</u>	<u>446,843</u>	<u>501,412</u>	<u>497,417</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities	14(b)	2,470	14,156	22,242	5,637
Deferred income	31	6,699	10,905	19,907	11,675
<b>Total non-current liabilities</b>		<u>9,169</u>	<u>25,061</u>	<u>42,149</u>	<u>17,312</u>
<b>Current liabilities</b>					
Trade payables	27	25,829	17,549	7,162	2,248
Current income tax payables		1,533	–	–	–
Other payables and accruals	28	8,183	27,230	21,050	18,068
Contract liabilities	6(b)	836	2,380	7,078	6,076
Lease liabilities	14(b)	3,162	23,374	18,278	21,647
Deferred income	31	2,230	2,322	3,685	2,361
<b>Total current liabilities</b>		<u>41,773</u>	<u>72,855</u>	<u>57,253</u>	<u>50,400</u>
<b>Total liabilities</b>		<u>50,942</u>	<u>97,916</u>	<u>99,402</u>	<u>67,712</u>
<b>Total equity and liabilities</b>		<u>315,964</u>	<u>544,759</u>	<u>600,814</u>	<u>565,129</u>

## COMPANY BALANCE SHEETS

		As at December 31,			As at
	Note	2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
<b>Assets</b>					
<b>Non-current assets</b>					
Right-of-use assets	14(a)	5,438	22,557	26,346	18,603
Equipment	15	6,763	37,106	61,177	47,823
Intangible assets	16	7,400	15,973	31,735	35,994
Investment in subsidiaries	17	10,000	10,000	10,800	10,800
Financial assets at fair value through profit or loss	19	19,449	24,622	25,882	25,434
Investments in an associate	17	–	490	490	490
Contract assets	6(a)	–	–	–	2,428
Deferred income tax assets	30	–	–	2,624	4,776
Other non-current assets		584	603	1,635	1,635
<b>Total non-current assets</b>		<u>49,634</u>	<u>111,351</u>	<u>160,689</u>	<u>147,983</u>
<b>Current assets</b>					
Contract fulfilment costs	20	3,133	7,129	1,054	16,672
Contract assets	6(a)	6,906	7,414	8,133	6,499
Trade and notes receivables	21	44,428	131,338	158,577	143,521
Prepayments and other receivables	22	13,232	31,100	38,140	47,197
Financial assets at fair value through profit or loss	19	100,259	100,596	100,184	100,164
Restricted cash	23(c)	20,003	3,660	3,660	3,660
Term deposits with initial term of over three months	23(b)	–	–	–	60,000
Cash and cash equivalents	23(a)	51,509	134,918	113,054	25,290
<b>Total current assets</b>		<u>239,470</u>	<u>416,155</u>	<u>422,802</u>	<u>403,003</u>
<b>Total assets</b>		<u><u>289,104</u></u>	<u><u>527,506</u></u>	<u><u>583,491</u></u>	<u><u>550,986</u></u>
<b>Equity</b>					
<b>Equity attributable to owners of the Company</b>					
Paid-in capital/Share capital	24	1,714	100,000	100,000	100,000
Reserves	25	164,554	264,678	271,130	271,734
Retained earnings		81,126	69,012	118,640	115,501
<b>Total equity</b>		<u><u>247,394</u></u>	<u><u>433,690</u></u>	<u><u>489,770</u></u>	<u><u>487,235</u></u>

		As at December 31,			As at
	Note	2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Lease liabilities	14(b)	2,470	14,156	22,242	5,637
Deferred income	31	6,699	10,905	19,907	11,675
<b>Total non-current liabilities</b>		<u>9,169</u>	<u>25,061</u>	<u>42,149</u>	<u>17,312</u>
<b>Current liabilities</b>					
Trade payables	27	19,829	14,786	6,217	1,303
Other payables and accruals	28	6,649	26,481	19,976	17,194
Contract liabilities	6(b)	671	1,792	3,416	3,934
Lease liabilities	14(b)	3,162	23,374	18,278	21,647
Deferred income	31	2,230	2,322	3,685	2,361
<b>Total current liabilities</b>		<u>32,541</u>	<u>68,755</u>	<u>51,572</u>	<u>46,439</u>
<b>Total liabilities</b>		<u>41,710</u>	<u>93,816</u>	<u>93,721</u>	<u>63,751</u>
<b>Total equity and liabilities</b>		<u>289,104</u>	<u>527,506</u>	<u>583,491</u>	<u>550,986</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Paid-in capital/Share Capital	Reserves	Retained earnings	Subtotal		
		RMB'000	(Note 25) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2021</b>		1,457	13,647	54,941	70,045	–	70,045
Profit and total comprehensive income for the year		–	–	37,747	37,747	(176)	37,571
<b>Transactions with owners in their capacity as owners</b>							
Capital contributions from shareholders	24, 25	257	149,743	–	150,000	–	150,000
Capital contributions from non-controlling interests		–	–	–	–	6,370	6,370
Recognition of redemption liabilities	29	–	(30,000)	–	(30,000)	–	(30,000)
Derecognition of redemption liabilities	29	–	30,000	–	30,000	–	30,000
Share-based payments	26	–	1,036	–	1,036	–	1,036
Transfer to PRC statutory reserves		–	128	(128)	–	–	–
<b>Total transactions with owners in their capacity as owners</b>		257	150,907	(128)	151,036	6,370	157,406
<b>Balance at December 31, 2021</b>		1,714	164,554	92,560	258,828	6,194	265,022

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Paid-in capital/Share capital	Reserves	Retained earnings	Subtotal		
		RMB'000	(Note 25) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2022</b>		1,714	164,554	92,560	258,828	6,194	265,022
Profit and total comprehensive income for the year		–	–	50,330	50,330	(1,644)	48,686
<b>Transactions with owners in their capacity as owners</b>							
Capital contributions from shareholders	24, 25	103	131,897	–	132,000	–	132,000
Issuance of ordinary shares upon conversion into a joint stock company	24, 25	98,183	(38,224)	(59,959)	–	–	–
Share-based payments	26	–	1,135	–	1,135	–	1,135
Transfer to PRC statutory reserves		–	5,316	(5,316)	–	–	–
<b>Total transactions with owners in their capacity as owners</b>		98,286	100,124	(65,275)	133,135	–	133,135
<b>Balance at December 31, 2022</b>		100,000	264,678	77,615	442,293	4,550	446,843

Attributable to owners of the Company							
		Paid-in capital/ Share capital	Reserves (Note 25)	Retained earnings	Subtotal	Non- controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2023</b>							
Profit and total comprehensive income for the year		100,000	264,678	77,615	442,293	4,550	446,843
		–	–	55,479	55,479	(2,048)	53,431
<b>Transactions with owners in their capacity as owners</b>							
Capital contributions from non-controlling interests		–	–	–	–	200	200
Share-based payments	26	–	938	–	938	–	938
Transfer to PRC statutory reserves		–	5,514	(5,514)	–	–	–
<b>Total transactions with owners in their capacity as owners</b>							
		–	6,452	(5,514)	938	200	1,138
<b>Balance at December 31, 2023</b>							
		<u>100,000</u>	<u>271,130</u>	<u>127,580</u>	<u>498,710</u>	<u>2,702</u>	<u>501,412</u>

Attributable to owners of the Company							
		Paid-in capital/ Share capital	Reserves (Note 25)	Retained earnings	Subtotal	Non- controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2023</b>							
Loss and total comprehensive losses for the period		100,000	264,678	77,615	442,293	4,550	446,843
		–	–	(9,898)	(9,898)	(1,167)	(11,065)
<b>Transactions with owners in their capacity as owners</b>							
Capital contributions from non-controlling interests		–	–	–	–	200	200
Share-based payments	26	–	474	–	474	–	474
<b>Total transactions with owners in their capacity as owners</b>							
		–	474	–	474	200	674
<b>Balance at June 30, 2023 (Unaudited)</b>							
		<u>100,000</u>	<u>265,152</u>	<u>67,717</u>	<u>432,869</u>	<u>3,583</u>	<u>436,452</u>

		Attributable to owners of the Company					
		Paid-in				Non-	
		capital/	Reserves	Retained		controlling	Total
	Note	Share	(Note 25)	earnings	Subtotal	interests	equity
		capital					
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2024		100,000	271,130	127,580	498,710	2,702	501,412
Loss and total comprehensive losses for the period		–	–	(4,743)	(4,743)	144	(4,599)
Transactions with owners in their capacity as owners							
Share-based payments	26	–	604	–	604	–	604
Total transactions with owners in their capacity as owners		–	604	–	604	–	604
Balance at June 30, 2024		100,000	271,734	122,837	494,571	2,846	497,417

## CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six months ended	
	Note	2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
<b>Cash flows from operating activities</b>						
Cash (used in)/generated from operations	35(a)	(3,399)	(8,125)	47,426	1,759	(939)
Interest received		1,590	1,716	3,040	2,065	1,493
<b>Net cash (used in)/generated from operating activities</b>		<u>(1,809)</u>	<u>(6,409)</u>	<u>50,466</u>	<u>3,824</u>	<u>554</u>
<b>Cash flows from investing activities</b>						
Purchase of equipment and intangible assets		(11,070)	(49,177)	(69,365)	(30,190)	(12,322)
Proceeds from disposal of equipment		–	52	–	–	–
Interests income received from short-term investments measured at fair value through profit or loss		188	1,409	1,372	850	514
Purchase of short-term investments measured at fair value through profit or loss		(215,000)	(220,000)	(212,000)	(100,000)	(119,000)
Purchase of term deposits with initial term of over three months		–	–	–	–	(60,000)
Proceeds from the redeem of short-term investments measured at fair value through profit or loss		115,000	220,000	200,000	100,000	124,000
Receipt of government subsidies for equipment and intangible assets		3,847	7,610	27,436	24,845	–
Capital injection to an associate		–	(490)	–	–	–
<b>Net cash used in investing activities</b>		<u>(107,035)</u>	<u>(40,596)</u>	<u>(52,557)</u>	<u>(4,495)</u>	<u>(66,808)</u>



	<i>Note</i>	Year ended December 31,			Six months ended	
		2021	2022	2023	June 30,	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)	
<b>Cash flows from financing activities</b>						
Proceeds injected by shareholders		150,000	132,000	–	–	–
Proceeds injected by non-controlling interests		6,370	–	200	200	–
Payment of listing expenses to be capitalized		(4,800)	(13,834)	(14,855)	(8,983)	(3,301)
Payment of lease liabilities		(2,975)	(1,952)	(15,869)	(13,370)	(14,786)
<b>Net cash generated from/(used in) financing activities</b>		<u>148,595</u>	<u>116,214</u>	<u>(30,524)</u>	<u>(22,153)</u>	<u>(18,087)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		39,751	69,209	(32,615)	(22,824)	(84,341)
Cash and cash equivalents at the beginning of the year/period		<u>42,086</u>	<u>81,837</u>	<u>151,046</u>	<u>151,046</u>	<u>118,431</u>
<b>Cash and cash equivalents at the end of the year/period</b>	23(a)	<u><u>81,837</u></u>	<u><u>151,046</u></u>	<u><u>118,431</u></u>	<u><u>128,222</u></u>	<u><u>34,090</u></u>

## II. NOTES TO THE FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Beijing Saimo Technology Co., Ltd. (the “Company”) was incorporated in Beijing, the People’s Republic of China (the “PRC”) on January 24, 2014 as a limited liability company. On November 8, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC.

The Company and its subsidiaries (collectively, the “Group”) during the Track Record Period, were primarily engaged in the provision of intelligent connected vehicle (“ICV”) testing, validation and evaluation solutions in the PRC.

Mr. Hu Dalin, Mr. He Feng, Ms. Ma Lei, together through Space Technology (Beijing) Co., Ltd. (“Space Technology”) and Beijing Tongda Chengye Technology Center (Limited Partnership) (“Tongda”), controlled more than 30% of the total issued share capital of the Company. As such, Mr. Hu Dalin, Ms. Ma Lei and Mr. He Feng, together form a group of ultimate controlling shareholders as at the date of this report.

As at the date of this report, the Company had direct and indirect interests in the following subsidiaries, all being limited liability companies:

	Place and date of establishment	Registered capital	Percentage of ownership interest					Principal activities	Note
			December 31,		June 30,		As at the date of this report		
			2021	2022	2023	2024			
<b>Subsidiaries directly held:</b>									
Zhejiang Saimo Technology Co., Ltd.	The PRC, April 17, 2019	RMB10 million	100%	100%	100%	100%	100%	ICV testing-related business	(a)
Beijing Saimo Automotive Testing Technology Co. Ltd.	The PRC, March 16, 2022	RMB1 million	N/A	80%	80%	80%	80%	ICV testing and related services	(b)
<b>Subsidiaries indirectly held:</b>									
Zhejiang Fly Here Technology Co., Ltd.	The PRC, August 13, 2021	RMB13 million	51%	51%	51%	51%	51%	Drone testing-related technology development, advisory and services	(c)

## Notes:

- (a) The statutory financial statements of Zhejiang Saimo Technology Co., Ltd. for the years ended December 31, 2021 and 2022 were audited by Beijing Jing Zhong Xin Certified Public Accountants General Partnership. The statutory financial statements of Zhejiang Saimo Technology Co., Ltd. for the year ended December 31, 2023 were audited by Beijing Dongshen Certified Public Accountants (Special General Partnership).
- (b) The statutory financial statements of Beijing Saimo Automotive Testing Technology Co. Ltd. for the year ended December 31, 2023 were audited by Beijing Dongshen Certified Public Accountants (Special General Partnership). No audited financial statements have been prepared for the years ended December 31, 2021 and 2022.
- (c) The statutory financial statements of Zhejiang Fly Here Technology Co., Ltd. for the years ended December 31, 2021 and 2022 were audited by Beijing Jing Zhong Xin Certified Public Accountants General Partnership. The statutory financial statements of Zhejiang Fly Here Technology Co., Ltd. for the year ended December 31, 2023 were audited by Beijing Dongshen Certified Public Accountants (Special General Partnership).
- (d) As at December 31, 2021, 2022, 2023 and June 30, 2024, no subsidiary has non-controlling interests that are material to the Group.

## 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention unless otherwise stated, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The preparation of the financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial period ended June 30, 2024, are consistently applied to the Group for the Track Record Period.

#### *New standards and interpretations have not yet been adopted*

Standards and interpretations that have been issued but are not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual period beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and measurement of financial instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature- dependent Electricity	1 January 2026
Annual improvements project	Annual improvements to IFRS Accounting Standards – volumes 11	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are of the view that the above new and revised standards and amendments and interpretations to existing standards that have been issued are not expected to have any significant impact on the Group.

### 2.2 Principles of consolidation and equity accounting

#### *(a) Subsidiaries*

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity.

**(b) *Associates***

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognized at cost.

**(c) *Equity method***

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

**(d) *Changes in ownership interests***

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.3 Separate financial statements

Investments in subsidiaries and an associate are accounted for at cost less impairment. Cost includes the direct attributable costs of investment. The results of the subsidiaries and associate are accounted for by the Company on the basis of dividends received and receivable.

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

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). As the major operations of the Group are within the PRC, the Group determined to present the Historical Financial Information in RMB, which is the Company's functional currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains/(losses), net.

### 2.5 Equipment

Equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- |                          |           |
|--------------------------|-----------|
| • Electronic equipment   | 3-5 years |
| • Furniture and fixtures | 3-5 years |
| • Motor vehicles         | 3-5 years |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains/(losses), net in the consolidated statements of comprehensive income.

## 2.6 Intangible assets

Intangible assets mainly include software and system. They are initially recognized and measured at cost or fair value of intangible assets acquired through business combination. The Group amortizes these intangible assets with a limited useful life using the straight-line method over 3-10 years.

When determining the length of useful lives of these intangible assets, management take into account the (i) estimated period during which such assets can bring economic benefits to the Group; and (ii) the useful life estimated by comparable companies in the market.

### *Research and development costs*

All research costs are charged to profit or loss as incurred.

Expenditure incurred to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the assets will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Capitalised development costs are amortised from the point at which the new products are released.

## 2.7 Impairment of non-financial assets

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

## 2.8 Investments and other financial assets

### *2.8.1 Classification*

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

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

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

See Note 18 for details of each type of financial assets.

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

### 2.8.2 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the consolidated statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### 2.8.3 Impairment

The Group assesses on a forward-looking basis for the expected credit losses on financial assets (including trade and notes receivables, other receivables, term deposits with initial term of over three months, restricted cash and cash and cash equivalents), which is subject to impairment under IFRS 9. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(b) for details.

For others, it is measured as either a 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as the lifetime expected credit losses.

#### **2.8.4 Derecognition**

##### *Financial assets*

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

#### **2.9 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

#### **2.10 Contract fulfilment costs**

The Group recognizes the contract fulfilment costs from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The contract fulfilment costs recognized shall be amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates.



The Group recognizes an impairment loss in profit or loss to the extent that the carrying amount of contract fulfilment cost recognized exceeds:

- the remaining amount of consideration that the entity expects to receive in exchange for the services to which the asset relates; less
- the costs that relate directly to providing those services and that have not been recognized as expenses.

#### **2.11 Trade and notes receivables and other receivables**

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

Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Notes 2.8.3 and 3.1(b) for a description of the Group's impairment policy for trade and other receivables.

#### **2.12 Cash and cash equivalents and restricted cash**

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

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

#### **2.13 Paid-in capital/Share capital and treasury stock**

Ordinary shares and paid-in capital from owners are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Treasury stock is recorded to reflect the carrying amount of the redemption liabilities when it is initially reclassified from equity, and will be reversed when the redemption liabilities are derecognized upon when the Group's obligations in connection with those redemption liabilities are discharged, cancelled or have expired which will then be reclassified back to equity (Note 2.17).

#### **2.14 Trade and other payables**

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

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **2.15 Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## **2.16 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## **2.17 Redemption liabilities**

A contract that contains an obligation to purchase the Group's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount, even if the Group's obligations to purchase is conditional on the counterparty exercising a right to redeem. The Company undertakes such redemption obligations as certain preferred rights are granted to investors in the Company's financing process, the redemption liabilities are recognized as financial liabilities initially at the present value of the redemption amount and reclassified from equity. Subsequently, the redemption liabilities are measured at amortized cost with interest charged in finance costs.

The Group derecognizes the redemption liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. When the preferred rights are waived by investors, the carrying amount of the redemption liability is reclassified to equity.

## **2.18 Current and deferred income tax**

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

### **(a) Current income tax**

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

### **(b) Deferred income tax**

#### *Inside basis differences*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of

the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for a deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

*(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.19 Employee benefits**

*(a) Pension obligations and other social welfare benefits*

Full-time employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurances, medical insurances, unemployment benefits and housing fund plans through a PRC government-mandated defined contribution plan. Chinese labour regulations require that the Group make contributions to the government for these benefits based on a certain percentage of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the required contributions.

*(b) Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

*(c) Bonus plans*

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

*(d) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within

the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 2.20 Share-based payments

### (a) *Equity-settled share-based payment transactions*

The Group operates a share incentive plan, under which it receives services from employees as consideration for equity instruments ("restricted stock units") of the Company. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense on the consolidated statements of comprehensive income with a corresponding increase in equity.

In terms of restricted stock units awarded to employees, the total amount to be expensed is determined by reference to the fair value of the options granted:

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

Service and non-marketing performance vesting conditions are included in the calculation of the number of restricted stock units that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of restricted stock units that are expected to vest based on the service and non-marketing vesting performance conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

When the restricted stock units are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in reserves will continue to be held in reserves.

## 2.21 Provisions

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

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

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

## 2.22 Revenue recognition

Revenue is measured according to the consideration received or receivable and stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

The provision of ICV simulation testing software and platforms and ICV data platforms consists primarily of deployment of software, software-embedded hardware and hardware infrastructures. These hardware and software are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customer. Accordingly, the provision of ICV simulation testing software and platforms and ICV data

platforms are generally accounted for as a single performance obligation. The provision of other products consists of deployment of hardware infrastructures. Revenue is recognized at a point in time when the related products is delivered to the customers' designated place, inspected and accepted by the customer.

Revenue from ICV testing and advisory and other services is recognized at a point in time when the services are completed and the related testing/advisory reports are delivered to the customers. The Group provides operation and maintenance services to customers separately, revenue from related services is recognized over the service period.

#### ***Contract balance***

Timing of revenue recognition may differ from the timing of invoicing to customers. The Group may perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, and also may have the right to an amount of consideration before transferring goods or services to a customer. The Group recognizes a contract asset or a contract liability in the consolidated balance sheet, depending on the relationship between the Group's performance and the customer's payment.

### **2.23 Earnings per share**

#### ***(a) Basic earnings per share***

Basic earnings per share is calculated by dividing:

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

#### ***(b) Diluted earnings per share***

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

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

### **2.24 Dividend income**

Dividend income is recognized when the right to receive payment is established.

### **2.25 Leases**

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, and payments for these leases are presented in the consolidated statements of cash flows from operating activities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognized as an expense in the consolidated statements of comprehensive income in the period in which the event or condition that triggers those payments occurs.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of the exercise of a purchase option. The corresponding adjustment is made to the related right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated starting at the commencement date over the shorter period of the useful life of the underlying asset and lease term.

The lease liability is presented in the 'Lease liabilities' line and the right-of-use assets are presented in the 'Right-of-use assets' line in the consolidated balance sheet. In addition, the principal portion of the lease payments and the interest component are presented within financing activities in the consolidated statements of cash flows.

## **2.26 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

## **2.27 Government grant**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the property and equipment and other non-current assets are included in liabilities and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## **2.28 Interest income**

Interest income of capital protected wealth management products is recognized as finance income. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized as other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

# **3 FINANCIAL RISK MANAGEMENT**

## **3.1 Financial risk factors**

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

(a) *Market risk*

(i) *Interest rate risk*

The Group's interest rate risk primarily arise from bank deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of bank deposits and cash and cash equivalents had been 50 basis points higher/lower, the profit before income tax for the years ended December 31, 2021, 2022, 2023 would have been approximately RMB409,000, RMB755,000, RMB592,000 higher/lower, the loss before income tax for six months ended June 30, 2023 and 2024 would have been approximately RMB641,000 and RMB470,000 lower/higher, respectively.

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

(ii) *Price risk*

The Group is exposed to price risk in respect of the long-term investments and short-term investments held by the Group and classified in the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. The investments are managed by management one by one, either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. The sensitivity analysis is performed by management, see Note 3.3 for details.

(b) *Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, term deposits with initial term of over three months, restricted cash, short-term investments measured at fair value through profit or loss, trade and notes receivables, other receivables and contract assets. The carrying amounts of each class of the above financial assets and contract assets represent the Group's maximum exposure to credit risk in relation to financial assets and contract assets.

To manage risk arising from cash and cash equivalents, term deposits with initial term of over three months, restricted cash and short-term investments measured at fair value through profit or loss, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

The Group's concentration of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2021, 2022, 2023 and June 30, 2024, 96%, 74%, 61% and 53% of the total trade and notes receivables was due from the Group's five largest customers, respectively.

To manage risk arising from trade and notes receivables and contract assets, the Group has policies in place to ensure that sales with credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually within 90 to 180 days and the credit quality of these customers are assessed by taking into account their financial position, past experience and other factors.

For other receivables, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding other receivables balances is low.

*Impairment of financial assets and contract assets*

The Group performs impairment assessments under the expected credit loss (“ECL”) model on financial assets at amortized cost (mainly including trade and notes receivables and other receivables) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

While cash and cash equivalents, term deposits with initial term of over three months and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

*Trade and notes receivables and contract assets*

For trade and notes receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the trade and notes receivables and contract assets. The expected loss rates are based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product (GDP) change, money market interest rates, international reserves as % of GDP and wholesale producer price index of the PRC in which it provides services to be the relevant factors, and accordingly adjusts the loss rates based on expected changes in those factors. Details of the loss allowance of trade and notes receivables and contract assets as at December 31, 2021, 2022, 2023 and June 30, 2024 are included in Notes 21 and 6(a), respectively.

*Other receivables*

Other receivables mainly include deposits. The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. The Group measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”). This is similar to the approach used for the purposes of measuring ECL under IFRS 9.

- Other receivables that are not credit-impaired on initial recognition are classified as ‘Stage 1’ and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (specifically, when the debtor is more than 30 days past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The expected credit loss is measured on a lifetime basis.
- If the financial instrument is credit-impaired (specifically, when the debtor is more than 90 days past due on its contractual payments), the financial instrument is then moved to ‘Stage 3’. The expected credit loss is measured on a lifetime basis.

As there has been no significant increase in credit risk since initial recognition, all of the Group’s other receivables as at December 31, 2021, 2022, 2023 and June 30, 2024 were classified as Stage 1 and their expected credit losses were measured on a 12-month basis.

*Write-off policy*

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.



*(c) Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 year and 2 years RMB'000	Between 2 years and 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
<b>Group</b>					
<b>At December 31, 2021</b>					
Trade payables	25,829	–	–	25,829	25,829
Other payables (excluding payroll payables and taxes payables)	1,002	–	–	1,002	1,002
Lease liabilities	3,337	2,503	–	5,840	5,632
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At December 31, 2022</b>					
Trade payables	17,549	–	–	17,549	17,549
Other payables (excluding payroll payables and taxes payables)	10,605	–	–	10,605	10,605
Lease liabilities	24,432	14,596	–	39,028	37,530
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At December 31, 2023</b>					
Trade payables	7,162	–	–	7,162	7,162
Other payables (excluding payroll payables and taxes payables)	10,896	–	–	10,896	10,896
Lease liabilities	19,487	22,656	–	42,143	40,520
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At June 30, 2024</b>					
Trade payables	2,248	–	–	2,248	2,248
Other payables (excluding payroll payables and taxes payables)	12,950	–	–	12,950	12,950
Lease liabilities	22,445	5,785	–	28,230	27,284
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**3.2 Capital management**

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is not significant.

The Group believes that cash flows from operating activities and available cash and cash equivalents will be sufficient to fund capital expenditures, debt servicing, dividend payments and other cash requirements going forward.

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

The following tables present the Group's assets or liabilities that are measured at fair value as at December 31, 2021, 2022, 2023 and June 30, 2024.

At December 31, 2021:

	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Assets				
Investments measured at fair value through profit or loss ( <i>Note 19</i> )	–	100,259	19,449	119,708

At December 31, 2022:

	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Assets				
Investments measured at fair value through profit or loss ( <i>Note 19</i> )	–	100,596	24,622	125,218

At December 31, 2023:

	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Assets				
Investments measured at fair value through profit or loss ( <i>Note 19</i> )	–	112,201	25,882	138,083

At June 30, 2024:

	<b>Level 1</b> <i>RMB'000</i>	<b>Level 2</b> <i>RMB'000</i>	<b>Level 3</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Assets				
Investments measured at fair value through profit or loss ( <i>Note 19</i> )	–	107,168	25,434	132,602

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024.

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
<b>At the beginning of the year/period</b>	13,995	19,449	24,622	24,622	25,882
Changes in fair value	5,454	5,173	1,260	1,193	(448)
<b>At the end of the year/period</b>	<u>19,449</u>	<u>24,622</u>	<u>25,882</u>	<u>25,815</u>	<u>25,434</u>
Net unrealized gains/(losses) for the year/period	<u>5,454</u>	<u>5,173</u>	<u>1,260</u>	<u>1,193</u>	<u>(448)</u>

The Group has a team that manages the valuation exercise for level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts were involved when necessary.

The valuation of the level 3 instruments mainly includes investments in unlisted equity securities, and level 2 instruments mainly includes wealth management products (Note 19). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows, market approach etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 2 fair value measurements.

	As at December 31,				Significant unobservable inputs	Range of inputs			As at June 30, 2024	Relationship of unobservable inputs to fair values
	2021	2022	2023	2024		As at December 31, 2021	2022	2023		
	RMB'000	RMB'000	RMB'000	RMB'000						
Short-term investments measured at fair value through profit or loss:										
– Wealth management products	100,259	100,596	112,201	107,168	Expected rate of return	1.35%-3.15%	1.35%-3.21%	1.49%-3.51%	1.49%-3.31%	The higher the expected rate of return, the higher the fair value
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>						

Long-term investments  
measured at fair value  
through profit or loss:  
– Unlisted equity  
securities

- I-33 -

The Group believes that any reasonably possible change in assumptions used for the significant unobservable inputs would not significantly affect the profit or loss for the years/periods.

There were no transfers between levels 1, 2 and 3 of the fair value hierarchy classifications during the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024.

The carrying amounts of the Group's financial assets that are not measured at fair value including cash and cash equivalents, term deposits with initial term of over three months, restricted cash, trade and notes receivables and other receivables, and the Group's financial liabilities that are not measured at fair value, including lease liabilities, trade payables, other payables and, redemption liabilities, approximate their fair values due to their short maturities or the interest rates are close to the market interest rates.

#### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

##### **(a) Fair value of financial assets**

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations are based on certain assumptions about credit risk, volatility and liquidity risks, associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 3.3 to the Historical Financial Information.

##### **(b) Credit loss allowance for trade and notes receivables and contract assets**

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

##### **(c) Valuation of share-based payments**

The fair value of restricted stock units at the grant date is determined by using valuation techniques. Significant estimates on assumptions, such as volatility and dividend yield are made based on management's best estimates. Further details are included in Note 26.

##### **(d) Income taxes**

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

For temporary differences or tax losses which give rise to deferred income tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred income tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

##### **(e) Revenue recognition**

The Group applies judgement in determining whether the Group is acting as a principal or an agent in relation to provision of products in considering all relevant facts and circumstances, including the contractual terms of the relevant contracts.

As disclosed in Note 7, government grants were recorded as 'other income'. The Group applies judgement in determining whether income from governments is recorded as 'revenue' or 'other income', which mainly depends on whether the control of products or services is transferred to the PRC government authorities.

## 5 SEGMENT INFORMATION

The Group's business activities are the testing, validation and evaluation of the functionality, compatibility, safety, reliability and comfortability of ICVs in the PRC. The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group's chief operating decision-maker has been identified as the board of directors, who reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As all of the Group's non-current assets are all located in the PRC and all of the Group's revenues are derived from the PRC, no geographical information is presented.

The major customers who contributed more than 10% of total revenue of the Group for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024 are listed below:

	Year ended December 31,			Six months ended	
	2021	2022	2023	June 30,	2024
				2023	
				(Unaudited)	
Percentage of revenue from the major customers to the total revenue of the Group					
Customer A	39.02%	*	*	*	*
Customer B	13.79%	*	*	*	*
Customer C	*	13.31%	*	*	*
Customer D	*	11.00%	*	*	*
Customer E	*	10.31%	*	*	*
Customer G	*	*	22.77%	*	*
Customer H	*	*	11.17%	*	*
Customer I	*	*	*	*	29.82%
Customer K	*	*	*	*	21.31%
Customer L	*	*	*	*	14.34%
China Merchants Testing Vehicle Technology Research Institute Company Limited	*	*	*	43.45%	*
The Relevant Customer	*	24.40%	*	20.76%	*
Beijing Car Internet Technology Development Company Limited	25.50%	*	*	*	*

\* represents that the amount of aggregate revenue from such customer is less than 10% of the total revenue for respective years.

*Note:* The Relevant Customer is a limited liability company established in the PRC, which is a leading global information and communications technology solutions and smart devices provider and our customer since 2018.

## 6 REVENUE

Disaggregation of revenue from contracts by products and services:

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
ICV simulation testing software and platforms	60,780	81,100	100,492	1,643	31,321
ICV data platforms and other products					
– ICV data platforms	41,921	1,407	17,798	9,745	10,903
– Other products	–	38,047	2,123	–	–
ICV testing and related services	2,254	12,440	38,970	8,317	6,638
Advisory and other services	1,951	12,391	16,320	1,922	6,698
	<u>106,906</u>	<u>145,385</u>	<u>175,703</u>	<u>21,627</u>	<u>55,560</u>

Timing of revenue recognition

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At point in time	106,827	144,442	174,357	21,627	54,830
Over time	79	943	1,346	–	730
	<u>106,906</u>	<u>145,385</u>	<u>175,703</u>	<u>21,627</u>	<u>55,560</u>

## (a) Contract assets

Group

The Group recognized the following assets related to contracts with customers:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Contract assets				
– Current	6,931	7,446	8,216	6,773
– Non-current	–	–	–	2,428
Less: credit loss allowance	<u>(25)</u>	<u>(32)</u>	<u>(83)</u>	<u>(88)</u>
	<u>6,906</u>	<u>7,414</u>	<u>8,133</u>	<u>9,113</u>

Contract assets are generally the final payments of contracts relating to the provision of products which are due at the end of the quality assurance period.

Movements on credit loss allowance for contract assets are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
<b>At the beginning of the year/period</b>	(7)	(25)	(32)	(32)	(83)
Credit loss allowance recognized, net	(18)	(7)	(51)	(160)	(5)
<b>At the end of the year/period</b>	(25)	(32)	(83)	(192)	(88)

Company

The Company recognized the following assets related to contracts with customers:

	As at December 31,			As at June 30,
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Contract assets				
– Current	6,931	7,446	8,216	6,584
– Non-current	–	–	–	2,428
Less: credit loss allowance	(25)	(32)	(83)	(85)
	6,906	7,414	8,133	8,927

Movements on credit loss allowance for contract assets are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
<b>At the beginning of the year/period</b>	(7)	(25)	(32)	(32)	(83)
Credit loss allowance recognized, net	(18)	(7)	(51)	(160)	(2)
<b>At the end of the year/period</b>	(25)	(32)	(83)	(192)	(85)

Expected credit losses rate on contract assets range from 0.05% to 2.72% during the Track Record Period.



## (b) Contract liabilities

Group

The Group recognized the following liabilities related to contracts with customers:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Contract liabilities	836	2,380	7,078	6,076

The following table shows the Group's revenue recognized in the Track Record Period related to carried-forward contract liabilities:

	Year ended December 31,			Six months ended	
	2021	2022	2023	June 30,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
Revenue recognized that was included in the contract liabilities at beginning of year/period	21,283	270	2,380	1,511	1,936

The following table includes the Group's revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Within 1 year	7,222	24,326	21,000	34,708
Over 1 year	2,272	439	737	755
	9,494	24,765	21,737	35,463

Company

The Company recognized the following liabilities related to contracts with customers:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Contract liabilities	671	1,792	3,416	3,934

The following table shows the Company's revenue recognized in the Track Record Period related to carried-forward contract liabilities:

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognized that was included in the contract liabilities at beginning of year/period	21,283	105	1,792	285	1,829

The following table includes Company's revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Within 1 year	5,717	16,491	16,161	31,080
Over 1 year	1,407	—	—	295
	7,124	16,491	16,161	31,375

Contract liabilities of the Group and of the Company mainly arise from the advance payments made by customers before the underlying products/services are delivered/provided.

## 7 OTHER INCOME

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants	13,166	9,171	31,338	12,538	10,335
VAT refund	324	2,061	8,595	7,850	1,621
Interest income from wealth management products	991	1,325	894	384	549
Others	25	28	44	43	977
	14,506	12,585	40,871	20,815	13,482

Government grants primarily relate to grants in connection with the Group's contributions to technology development of governments.

## 8 OTHER GAINS/(LOSSES), NET

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Fair value changes on financial assets at fair value through profit or loss					
– Unlisted equity securities	5,454	5,173	1,260	1,193	(448)
Others	(59)	277	(68)	(19)	(1)
	<u>5,395</u>	<u>5,450</u>	<u>1,192</u>	<u>1,174</u>	<u>(449)</u>

## 9 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Change in contract fulfilment costs	3,781	(4,557)	5,953	620	(15,221)
Procurement costs	33,658	29,574	24,277	1,088	22,621
Salaries, wages and other benefits	33,214	52,712	71,348	32,481	33,333
Less: capitalised in internally generated intangible assets	–	(7,403)	(4,618)	(3,820)	–
	33,214	45,309	66,730	28,661	33,333
Commissioned external research and development costs	976	1,790	11,152	4,309	140
Depreciation of equipment (Note 15)	2,470	6,642	20,809	8,473	13,951
Less: capitalised in internally generated intangible assets	–	(60)	(88)	(49)	–
	2,470	6,582	20,721	8,424	13,951
Depreciation of right-of-use assets (Note 14)	2,639	15,365	12,792	5,888	7,743
Less: capitalised in internally generated intangible assets	–	(297)	(190)	(190)	–
	2,639	15,068	12,602	5,698	7,743
Amortization of intangible assets (Note 16)	2,234	2,996	5,525	2,063	4,611
Less: capitalised in internally generated intangible assets	–	(40)	(123)	(60)	–
	2,234	2,956	5,402	2,003	4,611
Office expenses	1,362	1,583	2,270	788	1,135
Rental and property expenses	1,543	1,835	1,471	667	1,310
Legal and professional fees	2,176	6,988	3,857	1,184	5,046
Business travel expenses	1,170	1,342	2,614	1,065	1,000

	Year ended December 31,			Six months ended	
	2021	2022	2023	June 30,	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Business entertainment expenses	727	980	1,504	650	664
Recruitment and training expenses	257	266	98	76	4
Credit loss allowance recognized/(reversed), net ( <i>note</i> )	170	1,955	7,024	2,317	(1,931)
Other taxes and surcharges	602	1,387	512	198	334
Share-based payments expenses ( <i>Note 26</i> )	1,036	1,135	938	474	604
Advertising and marketing expenses	122	6	47	39	76
Listing expenses	–	573	606	31	155
Others	296	770	919	156	125
	<u>88,433</u>	<u>115,542</u>	<u>168,697</u>	<u>58,448</u>	<u>75,700</u>

*Note:*

- (a) Mainly includes the credit loss allowance on contract assets, trade and notes receivables and other receivables. Please refer to Notes 6(a), 21 and 22.

#### 10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Six months ended	
	2021	2022	2023	June 30,	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	26,987	41,532	55,468	25,361	25,164
Contributions to pension plans	2,755	4,625	6,457	2,915	3,385
Other social security costs, housing benefits and other employee benefits	3,472	6,555	9,423	4,205	4,784
Share-based payment expenses ( <i>Note 26</i> )	1,036	1,135	938	474	604
	<u>34,250</u>	<u>53,847</u>	<u>72,286</u>	<u>32,955</u>	<u>33,937</u>

**(a) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group includes 3 directors for the years ended December 31, 2021 and 2022, and 1 director for the year ended December 31, 2023 and the six months ended June 30, 2023 and 2024, whose emoluments are reflected in the note (b) below. The total emoluments payable to the remaining individuals during the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Wages, salaries and bonuses	1,368	1,703	3,848	2,004	1,741
Contributions to pension plans	110	124	265	129	137
Other social security costs, housing benefits and other employee benefits	130	160	355	172	181
Share-based payment expenses	118	107	168	88	70
	<u>1,726</u>	<u>2,094</u>	<u>4,636</u>	<u>2,393</u>	<u>2,129</u>

The emoluments, except for that of 3 directors for the years ended December 31, 2021 and 2022, and 1 director for the year ended December 31, 2023, and the six months ended June 30, 2023 and 2024 fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023 (Unaudited)	2024
<i>Hong Kong dollars</i> <i>("HK\$")</i>					
Nil to HK\$500,000	–	–	–	1	2
HK\$500,001 to HK\$1,000,000	2	1	1	3	2
HK\$1,000,001 to HK\$1,500,000	–	1	3	–	–
	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>

## (b) Benefits and interests of directors and supervisor

The remuneration of each director and supervisor of the Group for the year ended December 31, 2021 is set out as follows:

	Wages, salaries and bonuses <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB'000</i>	Share-based payments expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Directors					
Mr. Hu Dalin	960	52	56	—	1,068
Mr. He Feng	600	52	56	351	1,059
Ms. Ma Lei	600	52	56	214	922
Dr. Kan Zhigang	—	—	—	—	—
Dr. Yao Xiang	—	—	—	—	—
Ms. Song Juan	—	—	—	—	—
Dr. Cao Gang	—	—	—	—	—
Supervisor					
Mr. Ni Jie	—	—	—	—	—
	<u>2,160</u>	<u>156</u>	<u>168</u>	<u>565</u>	<u>3,049</u>

The remuneration of each director and supervisor of the Group for the year ended December 31, 2022 is set out as follows:

	Wages, salaries and bonuses <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB'000</i>	Share-based payments expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Directors					
Mr. Hu Dalin	1,040	60	72	—	1,172
Mr. He Feng	650	60	72	460	1,242
Ms. Ma Lei	650	60	72	214	996
Dr. Kan Zhigang	—	—	—	—	—
Dr. Yao Xiang	—	—	—	—	—
Ms. Song Juan	—	—	—	—	—
Ms. Gong Xiao	—	—	—	—	—
Ms. Guo Lili	—	—	—	—	—
Mr. Huang Hua	—	—	—	—	—
Mr. Wong Ho Kwan	—	—	—	—	—
Supervisors					
Mr. Ni Jie	—	—	—	—	—
Dr. Cao Gang	—	—	—	—	—
Ms. Xue Na	255	34	42	27	358
	<u>2,595</u>	<u>214</u>	<u>258</u>	<u>701</u>	<u>3,768</u>

# APPENDIX I

# ACCOUNTANT'S REPORT

The remuneration of each director and supervisor of the Group for the year ended December 31, 2023 is set out as follows:

	Wages, salaries and bonuses <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB'000</i>	Share-based payments expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Directors					
Mr. Hu Dalin	1,120	65	87	–	1,272
Mr. He Feng	701	65	87	434	1,287
Ms. Ma Lei	700	65	87	167	1,019
Mr. Kan Zhigang	–	–	–	–	–
Dr. Yao Xiang	–	–	–	–	–
Ms. Gong Xiao	–	–	–	–	–
Ms. Guo Lili	–	–	–	–	–
Mr. Huang Hua	–	–	–	–	–
Mr. Wong Ho Kwan	–	–	–	–	–
Supervisor					
Mr. Ni Jie	–	–	–	–	–
Dr. Cao Gang	–	–	–	–	–
Ms. Xue Na	273	42	55	21	391
	<u>2,794</u>	<u>237</u>	<u>316</u>	<u>622</u>	<u>3,969</u>

The remuneration of each director and supervisor of the Group for the six months ended June 30, 2023 is set out as follows:

	Wages, salaries and bonuses <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB'000</i>	Share-based payment expenses <i>RMB'000</i>	Total <i>RMB'000</i> (Unaudited)
Directors					
Mr. Hu Dalin	560	32	42	–	634
Mr. He Feng	351	32	42	212	637
Ms. Ma Lei	350	32	42	87	511
Dr. Kan Zhigang	–	–	–	–	–
Dr. Yao Xiang	–	–	–	–	–
Ms. Gong Xiao	–	–	–	–	–
Ms. Guo Lili	–	–	–	–	–
Mr. Huang Hua	–	–	–	–	–
Mr. Wong Ho Kwan	–	–	–	–	–
Supervisors					
Mr. Ni Jie	–	–	–	–	–
Dr. Cao Gang	–	–	–	–	–
Ms. Xue Na	137	21	27	11	196
	<u>1,398</u>	<u>117</u>	<u>153</u>	<u>310</u>	<u>1,978</u>

The remuneration of each director and supervisor of the Group for the six months ended June 30, 2024 is set out as follows:

	Wages, salaries and bonuses <i>RMB'000</i>	Contributions to pension plans <i>RMB'000</i>	Other social security costs, housing benefits and other employee benefits <i>RMB'000</i>	Share-based payment expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Directors					
Mr. Hu Dalin	480	34	44	–	558
Mr. He Feng	300	34	44	411	789
Ms. Ma Lei	300	34	44	69	447
Dr. Kan Zhigang	–	–	–	–	–
Dr. Yao Xiang	–	–	–	–	–
Ms. Gong Xiao	–	–	–	–	–
Ms. Guo Lili	–	–	–	–	–
Mr. Huang Hua	–	–	–	–	–
Mr. Wong Ho Kwan	–	–	–	–	–
Supervisors					
Mr. Ni Jie	–	–	–	–	–
Dr. Cao Gang	–	–	–	–	–
Ms. Xue Na	121	21	28	9	179
	<u>1,201</u>	<u>123</u>	<u>160</u>	<u>489</u>	<u>1,973</u>

*Notes:*

Ms. Song Juan tendered her letter of resignation as a director of the Company on December 14, 2021 and her resignation took effect upon the appointment of the new director on February 28, 2022.

Ms. Gong Xiao was appointed as a director of the Company on February 28, 2022.

Ms. Guo Lili has been appointed as an independent director since October 2022 and has been further appointed as an independent non-executive director since December 2022.

Mr. Huang Hua has been appointed as an independent director since October 2022 and has been further appointed as an independent non-executive director since December 2022.

Mr. Wong Ho Kwan has been appointed as an independent director since October 2022 and has been further appointed as an independent non-executive director since December 2022.

Dr. Cao Gang was former director from May 2020 to October 2022 and has been appointed as chairman of the supervisory committee since October 2022.

Ms. Xue Na has been appointed as personnel manager of the administrative department of Company since January 2022 and as employee representative supervisor since October 2022.

**Directors' and supervisors' termination benefits**

No termination benefits were paid or payable to the directors or supervisors during the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024.



**Consideration provided to third parties for making available directors' and supervisors' services**

No consideration was provided to third parties for making available directors' or supervisor's services during the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024.

**Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled body corporates by and connected entities with such directors and supervisors**

No loans, quasi-loans and other dealings in favour of directors or supervisors, controlled body corporates by and connected entities with such directors or supervisors existed as at December 31, 2021, 2022, 2023 and June 30, 2024 or at any time during the Track Record Period.

**Directors' and supervisors' material interests in transactions, arrangements or contracts**

Save as disclosed in Note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, existed as at December 31, 2021, 2022, 2023 and June 30, 2024 or at any time during the Track Record Period.

**11 FINANCE INCOME AND FINANCE COSTS**

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Finance income:</b>					
Interest income from bank deposits	1,045	2,132	3,123	2,147	1,707
<b>Finance costs:</b>					
Interest expense on lease liabilities (Note 14)	(271)	(1,586)	(1,448)	(692)	(678)
Others	(17)	(94)	(22)	(12)	(6)
	(288)	(1,680)	(1,470)	(704)	(684)

**12 INCOME TAX EXPENSES/(CREDIT)**

The income tax expenses/(credit) of the Group for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024 are analysed as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax	1,560	–	–	–	–
Deferred income tax	–	–	(2,676)	(913)	(2,147)
	1,560	–	(2,676)	(913)	(2,147)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to the Group as follows:

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Profit/(loss) before income tax</b>	39,131	48,686	50,755	(11,978)	(6,746)
Tax calculated at statutory income tax rate of 25% in the PRC ( <i>Note (a)</i> )	9,783	12,172	12,689	(2,995)	(1,687)
Tax effects of:					
– Preferential income tax rate applicable to the Group ( <i>Note (b)</i> )	(3,723)	(16,211)	(6,099)	7,185	6,427
– Super deduction for research and development expenses ( <i>Note (c)</i> )	(4,254)	(5,159)	(11,594)	(5,685)	(6,781)
– Expenses not deductible for income tax purposes	73	119	163	135	96
– Utilization of previously unrecognized tax losses	–	–	(396)	(88)	–
– Temporary differences for which no deferred income tax assets was recognized	38	4,491	–	–	2
– Deductible loss of unrecognized deferred income tax assets in the current year/period	140	2,200	1,815	1,038	458
– Tax effect of share of profits of associates and joint ventures	–	(89)	(4)	(353)	(662)
– Taxable government subsidies received not recorded in current profit or loss	829	2,477	–	–	–
– Non-taxable income	(1,326)	–	–	–	–
– Impact of change in tax rate	–	–	750	(150)	–
<b>Income tax expenses/(credit)</b>	<u>1,560</u>	<u>–</u>	<u>(2,676)</u>	<u>(913)</u>	<u>(2,147)</u>

*Notes:*

(a) Enterprise income tax in the PRC ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was calculated using a tax rate of 25% on the assessable profits for the year presented, based on the existing legislation, interpretations and practices in respect thereof.

## (b) Preferential EIT rate

The Company and a subsidiary in the PRC are entitled to preferential EIT rates, as follows:

The EIT laws and regulations provide that entities recognized as software enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years. The Company was recognized as the Key Software Enterprise and therefore enjoyed a preferential EIT rate of 0% from January 1, 2019 to December 31, 2023, and can enjoy a preferential EIT rate of 10% from January 1, 2024.

A subsidiary of the Company, Zhejiang Fly Here Technology Co., Ltd enjoys tax benefits for small and micro enterprises.

## (c) Super deduction for research and development expenses

The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses (the “Super Deduction”) from January 1, 2018 to December 31, 2020, and announced in March 2021 to extend this preferential claim percentage to December 31, 2023. According to Announcement No. 28 2022 of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology, during the period from October 1, 2022 to December 31, 2022, the pre-tax deduction rate of research and development expenses will be increased to 100% for enterprises that currently apply 75% of the pre-tax deduction rate. According to Announcement No. 7 of 2023 by the Ministry of Finance and the State Administration of Taxation, since January 1, 2023, the pre-tax deduction rate for enterprise research and development expenses is 100%. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the Track Record Period.

## (d) Global minimum top-up tax

The Group has adopted International Tax Reform - Pillar Two Model Rules -Amendments to IAS 12 upon their release on May 23, 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exception applies retrospectively and the retrospective application has no impact on the Group's consolidated financial statements.

## 13 EARNINGS PER SHARE

## (a) Basic

	Year ended December 31,			Six months ended	
	2021	2022	2023	June 30,	2024
				2023	
				(Unaudited)	
Profit/(loss) attributable to owners of the Company (RMB'000)	37,747	50,330	55,479	(9,898)	(4,743)
Weighted average number of ordinary shares (thousands)	83,356	97,035	98,450	98,450	98,450
Basic earnings/(losses) per share (RMB)	0.45	0.52	0.56	(0.10)	(0.05)

The basic earnings/(losses) per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years/periods.

On November 8, 2022, the Company was converted into a joint stock company. Upon the conversion, the share capital of the Company became RMB100,000,000 divided into 100,000,000 shares with a nominal value of RMB1 each.

For the purpose of presenting earnings per share, the weighted average number of ordinary shares for each of the years was determined by taking into consideration the shares conversion ratio between paid-up capital and 100,000,000 shares as if the conversion had occurred at the beginning of the earliest year reported. The shares granted to employees under an equity incentive plan are excluded from the calculation of the weighted average number of ordinary shares.

**(b) Diluted**

	Year ended December 31,			Six months ended	
	2021	2022	2023	June 30,	2024
				2023	
				(Unaudited)	
Profit/(loss) attributable to owners of the Company (RMB'000)	37,747	50,330	55,479	(9,898)	(4,743)
Weighted average number of ordinary shares used in the basic earnings per share calculation (thousands)	83,356	97,035	98,450	98,450	98,450
Effect of dilution:					
– Restricted stock units (thousands)	1,213	1,405	1,406	–	–
Adjusted weighted average number of ordinary shares used in the diluted earnings per share calculation (thousands)	84,569	98,440	99,856	98,450	98,450
Diluted earnings/(losses) per share (RMB)	0.45	0.51	0.56	(0.10)	(0.05)

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has restricted stock units outstanding which are potentially dilutive.

The Group made a loss for the six months ended June 30, 2023 and 2024. The effect of restricted stock units was anti-dilutive and is excluded from the calculation of the diluted loss per share. The diluted loss per share is calculated in the same way with the basic loss per share.

**14 LEASES**

The Group and the Company lease certain of its premises, which are negotiated for terms ranging from 1 to 3 years.

The consolidated and company balance sheets include the following amounts relating to leases:

**(a) Right-of-use assets**

The carrying amounts of the Group's and the Company's right-of-use assets and the movements during the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
<b>At the beginning of the year/period</b>	7,151	5,438	22,557	22,557	26,346
Additions	926	33,001	17,228	1,545	–
Depreciation charge	(2,639)	(15,365)	(12,792)	(5,888)	(7,743)
Lease alteration	–	(517)	(647)	(647)	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At the end of the year/period</b>	<u>5,438</u>	<u>22,557</u>	<u>26,346</u>	<u>17,567</u>	<u>18,603</u>

**(b) Lease liabilities**

The carrying amounts of the Group's and the Company's lease liabilities as at December 31, 2021, 2022, 2023 and June 30, 2024 are as follows:

	As at December 31,			As at June 30,
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Current	3,162	23,374	18,278	21,647
Non-current	<u>2,470</u>	<u>14,156</u>	<u>22,242</u>	<u>5,637</u>
	<u>5,632</u>	<u>37,530</u>	<u>40,520</u>	<u>27,284</u>

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Depreciation charge for right-of-use assets (Note 9)	2,639	15,365	12,792	5,888	7,743
Interest expense (Note 11)	271	1,586	1,448	692	678
Expenses relating to short-term leases and variable lease payments not included in lease liabilities	902	1,256	712	474	1,014
Intangible assets and contract fulfilment costs	–	377	196	199	221

## 15 EQUIPMENT

The detailed information of the Group's equipment during the Track Record Period is as below:

	Electronics equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2021</b>				
Opening net book amount	3,282	547	131	3,960
Additions	4,397	1,407	–	5,804
Depreciation charge	(2,123)	(312)	(35)	(2,470)
<b>Closing net book amount</b>	<b>5,556</b>	<b>1,642</b>	<b>96</b>	<b>7,294</b>
<b>At December 31, 2021</b>				
Cost	10,003	2,045	142	12,190
Accumulated depreciation	(4,447)	(403)	(46)	(4,896)
<b>Net book amount</b>	<b>5,556</b>	<b>1,642</b>	<b>96</b>	<b>7,294</b>
<b>Year ended December 31, 2022</b>				
Opening net book amount	5,556	1,642	96	7,294
Additions	36,873	69	–	36,942
Disposals	(84)	–	–	(84)
Depreciation charge	(5,955)	(654)	(33)	(6,642)
<b>Closing net book amount</b>	<b>36,390</b>	<b>1,057</b>	<b>63</b>	<b>37,510</b>
<b>At December 31, 2022</b>				
Cost	45,730	2,114	142	47,986
Accumulated depreciation	(9,340)	(1,057)	(79)	(10,476)
<b>Net book amount</b>	<b>36,390</b>	<b>1,057</b>	<b>63</b>	<b>37,510</b>
<b>Year ended December 31, 2023</b>				
Opening net book amount	36,390	1,057	63	37,510
Additions	41,018	4,804	–	45,822
Disposals	(143)	(59)	–	(202)
Depreciation charge	(19,634)	(1,140)	(35)	(20,809)
<b>Closing net book amount</b>	<b>57,631</b>	<b>4,662</b>	<b>28</b>	<b>62,321</b>
<b>At December 31, 2023</b>				
Cost	86,349	6,806	142	93,297
Accumulated depreciation	(28,718)	(2,144)	(114)	(30,976)
<b>Net book amount</b>	<b>57,631</b>	<b>4,662</b>	<b>28</b>	<b>62,321</b>

	Electronics equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended June 30, 2024</b>				
Opening net book amount	57,631	4,662	28	62,321
Additions	1,289	65	–	1,354
Disposals	(1,021)	–	–	(1,021)
Depreciation charge	(13,098)	(835)	(18)	(13,951)
<b>Closing net book amount</b>	<b>44,801</b>	<b>3,892</b>	<b>10</b>	<b>48,703</b>
<b>At June 30, 2024</b>				
Cost	86,577	5,321	142	92,040
Accumulated depreciation	(41,776)	(1,429)	(132)	(43,337)
<b>Net book amount</b>	<b>44,801</b>	<b>3,892</b>	<b>10</b>	<b>48,703</b>

Depreciation charges were recognized in the following categories:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Research and development expenses	1,862	2,889	12,571	2,464	4,250
General and administrative expenses	606	3,684	7,681	5,836	9,290
Selling and marketing expenses	2	9	45	6	87
Cost of sales	–	–	149	3	99
Expensed off in the consolidated statements of comprehensive income	2,470	6,582	20,446	8,309	13,726
Capitalised in contract fulfilment costs	–	–	275	115	225
Capitalised in intangible assets	–	60	88	49	–
	2,470	6,642	20,809	8,473	13,951

The detailed information of the Company's equipment during the Track Record Period is as below:

	Electronics equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2021</b>				
Opening net book amount	3,231	205	131	3,567
Additions	4,042	1,406	–	5,448
Depreciation charge	(2,020)	(197)	(35)	(2,252)
<b>Closing net book amount</b>	<b>5,253</b>	<b>1,414</b>	<b>96</b>	<b>6,763</b>
<b>At December 31, 2021</b>				
Cost	9,583	1,643	142	11,368
Accumulated depreciation	(4,330)	(229)	(46)	(4,605)
<b>Net book amount</b>	<b>5,253</b>	<b>1,414</b>	<b>96</b>	<b>6,763</b>
<b>Year ended December 31, 2022</b>				
Opening net book amount	5,253	1,414	96	6,763
Additions	36,680	69	–	36,749
Disposals	(32)	–	–	(32)
Depreciation charge	(5,802)	(539)	(33)	(6,374)
<b>Closing net book amount</b>	<b>36,099</b>	<b>944</b>	<b>63</b>	<b>37,106</b>
<b>At December 31, 2022</b>				
Cost	45,208	1,712	142	47,062
Accumulated depreciation	(9,109)	(768)	(79)	(9,956)
<b>Net book amount</b>	<b>36,099</b>	<b>944</b>	<b>63</b>	<b>37,106</b>
<b>Year ended December 31, 2023</b>				
Opening net book amount	36,099	944	63	37,106
Additions	39,758	4,804	–	44,562
Disposals	(143)	(59)	–	(202)
Depreciation charge	(19,181)	(1,073)	(35)	(20,289)
<b>Closing net book amount</b>	<b>56,533</b>	<b>4,616</b>	<b>28</b>	<b>61,177</b>
<b>At December 31, 2023</b>				
Cost	84,567	6,405	142	91,114
Accumulated depreciation	(28,034)	(1,789)	(114)	(29,937)
<b>Net book amount</b>	<b>56,533</b>	<b>4,616</b>	<b>28</b>	<b>61,177</b>



	Electronics equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Six months ended June 30, 2024</b>				
Opening net book amount	56,533	4,616	28	61,177
Additions	1,289	65	–	1,354
Disposals	(1,021)	–	–	(1,021)
Depreciation charge	(12,843)	(826)	(18)	(13,687)
<b>Closing net book amount</b>	<b>43,958</b>	<b>3,855</b>	<b>10</b>	<b>47,823</b>
<b>At June 30, 2024</b>				
Cost	84,796	5,209	142	90,147
Accumulated depreciation	(40,838)	(1,354)	(132)	(42,324)
<b>Net book amount</b>	<b>43,958</b>	<b>3,855</b>	<b>10</b>	<b>47,823</b>

## 16 INTANGIBLE ASSETS

The detailed information of the Group's intangible assets during the Track Record Period is as below:

	Software and system <i>RMB'000</i>	Internally generated intangible assets <i>RMB'000</i>	Internally generated intangible assets (not yet ready for use) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2021</b>				
Opening net book amount	7,646	–	–	7,646
Additions	1,997	–	–	1,997
Amortization charge	(2,234)	–	–	(2,234)
<b>Closing net book amount</b>	<b>7,409</b>	<b>–</b>	<b>–</b>	<b>7,409</b>
<b>At December 31, 2021</b>				
Cost	11,794	–	–	11,794
Accumulated amortization	(4,385)	–	–	(4,385)
<b>Net book amount</b>	<b>7,409</b>	<b>–</b>	<b>–</b>	<b>7,409</b>
<b>Year ended December 31, 2022</b>				
Opening net book amount	7,409	–	–	7,409
Additions	3,702	–	7,865	11,567
Transferred into internally generated intangible assets	–	1,593	(1,593)	–
Amortization charge	(2,863)	(133)	–	(2,996)
<b>Closing net book amount</b>	<b>8,248</b>	<b>1,460</b>	<b>6,272</b>	<b>15,980</b>

	Software and system <i>RMB'000</i>	Internally generated intangible assets <i>RMB'000</i>	Internally generated intangible assets (not yet ready for use) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At December 31, 2022</b>				
Cost	15,496	1,593	6,272	23,361
Accumulated amortization	(7,248)	(133)	–	(7,381)
<b>Net book amount</b>	<b>8,248</b>	<b>1,460</b>	<b>6,272</b>	<b>15,980</b>
<b>Year ended December 31, 2023</b>				
Opening net book amount	8,248	1,460	6,272	15,980
Additions	16,231	–	5,056	21,287
Amortization charge	(5,207)	(318)	–	(5,525)
<b>Closing net book amount</b>	<b>19,272</b>	<b>1,142</b>	<b>11,328</b>	<b>31,742</b>
<b>At December 31, 2023</b>				
Cost	31,727	1,593	11,328	44,648
Accumulated amortization	(12,455)	(451)	–	(12,906)
<b>Net book amount</b>	<b>19,272</b>	<b>1,142</b>	<b>11,328</b>	<b>31,742</b>
<b>Six months ended June 30, 2024</b>				
Opening net book amount	19,272	1,142	11,328	31,742
Additions	8,868	–	–	8,868
Transfers	–	11,328	(11,328)	–
Amortization charge	(3,319)	(1,292)	–	(4,611)
<b>Closing net book amount</b>	<b>24,821</b>	<b>11,178</b>	<b>–</b>	<b>35,999</b>
<b>At June 30, 2024</b>				
Cost	40,595	12,921	–	53,516
Accumulated amortization	(15,774)	(1,743)	–	(17,517)
<b>Net book amount</b>	<b>24,821</b>	<b>11,178</b>	<b>–</b>	<b>35,999</b>

Amortization charges were recognized in the following categories:

	Year ended December 31,			Six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Research and development expenses	1,568	2,205	4,121	1,455	2,205
General and administrative expenses	531	618	933	384	1,099
Selling and marketing expenses	–	133	329	164	6
Cost of sales	135	–	17	–	1,297
	<u>2,234</u>	<u>2,956</u>	<u>5,400</u>	<u>2,003</u>	<u>4,607</u>
Expensed in the consolidated statements of comprehensive income	2,234	2,956	5,400	2,003	4,607
Capitalised in internally generated intangible assets	–	40	123	60	–
Contract fulfilment costs	–	–	2	–	4
	<u>2,234</u>	<u>2,996</u>	<u>5,525</u>	<u>2,063</u>	<u>4,611</u>

Internally generated not yet ready for use intangible assets of the Group and the Company comprised the following:

	As at December 31,			As at June 30,
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Cost of labour	–	5,896	10,514	–
Depreciation of right-of-use assets	–	232	422	–
Others	–	144	392	–
	<u>–</u>	<u>6,272</u>	<u>11,328</u>	<u>–</u>

The impairment reviews for the Group's internally generated intangible assets which are not yet ready for use as at December 31, 2022 and 2023 have been conducted annually by the management. For the purposes of the impairment review, the recoverable amount of the Group's internally generated intangible assets (not yet ready for use) is determined based on value-in-use ("VIU") calculated by discounted cash flow model. The cash flow forecast was mainly derived from the signed and indicative contracts or available orders whose cash inflow were expected to be received within one year related to internally generated intangible assets (not yet ready for use), and were discounted to the present value using a pre-tax rate of 16% and 29% as at December 31, 2022 and 2023, respectively.

As at December 31, 2022 and 2023, the estimated recoverable amount based on the VIU calculations were approximately RMB9.65 million and approximately RMB23.41 million, respectively, which are higher than the carrying amounts of the Group's internally generated intangible assets which are not yet ready for use. Thus, no impairment should be recognized for the Group's internally generated intangible assets (not yet ready for use) as at December 31, 2022 and 2023. The key assumptions adopted by management in the impairment assessment is the

pre-tax discount rate and the cash flows forecasted. The directors of the Company have considered and assessed that any reasonably possible changes in the key assumptions would not cause the carrying amount of internally generated intangible assets (not yet ready for use) exceeds their recoverable amount.

For sensitivity analysis conducted during the impairment review as at December 31, 2022, had there been a reduction in the total forecasted cash flow by 35% or an increase in the pre-tax discount rate of 63 percentage point each in isolation, the recoverable amount of the Group's internally generated intangible assets which are not yet ready for use would be close to the breakeven point. As at December 31, 2022, had there been a reduction in the cash flow forecast by 5%, or an increase in the pre-tax discount rate of 5 percentage point each in isolation, the headroom would be decreased to approximately RMB2.90 million and approximately RMB2.98 million, respectively.

For sensitivity analysis conducted during the impairment review as at December 31, 2023, had there been a reduction in the cash flow forecast by 52% or an increase in the pre-tax discount rate of 137 percentage point each in isolation, the recoverable amount of the Group's internally generated intangible assets which are not yet ready for use would be close to the breakeven point. As at December 31, 2023, had there been a reduction in the cash flow forecast by 5%, or an increase in the pre-tax discount rate by 5 percentage point, the headroom would be decreased to approximately RMB10.92 million and approximately RMB11.21 million, respectively.

The detail information of the Company's intangible assets during the Track Record Period is as below:

	Software and systems <i>RMB'000</i>	Internally generated intangible assets <i>RMB'000</i>	Internally generated intangible assets (not yet ready for use) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2021</b>				
Opening net book amount	7,646	–	–	7,646
Additions	1,988	–	–	1,988
Amortization charge	(2,234)	–	–	(2,234)
<b>Closing net book amount</b>	<b>7,400</b>	<b>–</b>	<b>–</b>	<b>7,400</b>
<b>At December 31, 2021</b>				
Cost	11,785	–	–	11,785
Accumulated amortization	(4,385)	–	–	(4,385)
<b>Net book amount</b>	<b>7,400</b>	<b>–</b>	<b>–</b>	<b>7,400</b>
<b>Year ended December 31, 2022</b>				
Opening net book amount	7,400	–	–	7,400
Additions	3,702	–	7,865	11,567
Transferred into internally generated intangible assets	–	1,593	(1,593)	–
Amortization charge	(2,861)	(133)	–	(2,994)
<b>Closing net book amount</b>	<b>8,241</b>	<b>1,460</b>	<b>6,272</b>	<b>15,973</b>
<b>At December 31, 2022</b>				
Cost	15,487	1,593	6,272	23,352
Accumulated amortization	(7,246)	(133)	–	(7,379)
<b>Net book amount</b>	<b>8,241</b>	<b>1,460</b>	<b>6,272</b>	<b>15,973</b>

	Software and systems <i>RMB'000</i>	Internally generated intangible assets <i>RMB'000</i>	Internally generated intangible assets (not yet ready for use) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended December 31, 2023</b>				
Opening net book amount	8,241	1,460	6,272	15,973
Additions	16,231	–	5,056	21,287
Amortization charge	(5,207)	(318)	–	(5,525)
<b>Closing net book amount</b>	<u>19,265</u>	<u>1,142</u>	<u>11,328</u>	<u>31,735</u>
<b>At December 31, 2023</b>				
Cost	31,718	1,593	11,328	44,639
Accumulated amortization	(12,453)	(451)	–	(12,904)
<b>Net book amount</b>	<u>19,265</u>	<u>1,142</u>	<u>11,328</u>	<u>31,735</u>
<b>Six months ended June 30, 2024</b>				
Opening net book amount	19,265	1,142	11,328	31,735
Additions	8,868	–	–	8,868
Transfers	–	11,328	(11,328)	–
Amortization charge	(3,317)	(1,292)	–	(4,609)
<b>Closing net book amount</b>	<u>24,816</u>	<u>11,178</u>	<u>–</u>	<u>35,994</u>
<b>At June 30, 2024</b>				
Cost	40,586	12,921	–	53,507
Accumulated amortization	(15,770)	(1,743)	–	(17,513)
<b>Net book amount</b>	<u>24,816</u>	<u>11,178</u>	<u>–</u>	<u>35,994</u>

## 17 INVESTMENT IN SUBSIDIARIES AND AN ASSOCIATE

## Group

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in an associate accounted for using the equity method				
<b>As at the beginning of the year/period</b>	–	–	846	879
Additions	–	490	–	–
Share of profit/(loss) of the investment	–	356	33	(662)
<b>As at the end of the year/period</b>	<u>–</u>	<u>846</u>	<u>879</u>	<u>217</u>

**(a) Details of investment in associate**

During the Track Record Period, the Company owns 49% equity interest in Beijing Dysprosium Data Technology Co., Ltd. ("Beijing Dysprosium"), which was established in the PRC as a limited liability company on April 12, 2021 with the registered capital of RMB1 million. Beijing Dysprosium is primarily engaged in providing data platform related services in relation to vehicle integrated application service system. The Company paid its own portion of the registered capital of RMB490,000 on April 20, 2022.

**(b) Fair value**

Beijing Dysprosium is a private company and there is no quoted market price available for its shares.

**(c) Contingent liabilities**

During the Track Record Period, there are no contingent liabilities relating to the Group's interest in its associate.

**(d) Summarised financial information**

The carrying amount of this associate during the Track Record Period are as below:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Carrying amount of the profit/(loss) of the associate	–	727	68	2,880	(1,350)
Amounts of the Group's share of profit/(loss) from continuing operations	–	356	33	1,411	(662)

**Company**

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in subsidiaries	10,000	10,000	10,800	10,800

The Company established a wholly-owned subsidiary, Zhejiang Saimo Technology Co., Ltd, with the registered capital of RMB 10 million on April 19, 2019. The registered capital has been fully paid by the Company as at December 31, 2021.

The Company, together with Beijing Jinyi New Energy Technology Co., Ltd (formerly known as Beijing Jinyi Technology Development Co., Ltd.), established a subsidiary, Beijing Saimo Automotive Testing Technology Co. Ltd., with the register capital of RMB 1 million on March 16, 2022. The Company owns 80% equity interest in the subsidiary and paid its portion of the registered capital on February 2, 2023.

	As at December 31			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in an associate	–	490	490	490

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Assets as per balance sheets</b>				
Financial assets at fair value through profit or loss ( <i>Note 19</i> ):				
– Unlisted equity securities	19,449	24,622	25,882	25,434
– Wealth management products	100,259	100,596	112,201	107,168
Financial assets at amortized cost:				
– Trade and notes receivables ( <i>Note 21</i> )	49,422	139,995	165,695	150,043
– Prepayments and other receivables (excluding prepayments to suppliers, deductible value-added input tax, prepayment of income tax and listing expenses to be capitalized) ( <i>Note 22</i> )	2,053	2,450	2,482	4,454
– Restricted cash ( <i>Note 23(c)</i> )	20,003	3,660	3,669	3,669
– Term deposits with initial term of over three months ( <i>Note 23 (b)</i> )	–	–	–	60,000
– Cash and cash equivalents ( <i>Note 23(a)</i> )	81,837	151,046	118,431	34,090
	<u>273,023</u>	<u>422,369</u>	<u>428,360</u>	<u>384,858</u>
<b>Liabilities as per balance sheets</b>				
Financial liabilities at amortized cost:				
– Trade payables ( <i>Note 27</i> )	25,829	17,549	7,162	2,248
– Other payables and accruals (excluding payroll payables and taxes payables) ( <i>Note 28</i> )	1,002	10,605	10,896	12,950
Lease liabilities ( <i>Note 14</i> )	5,632	37,530	40,520	27,284
	<u>32,463</u>	<u>65,684</u>	<u>58,578</u>	<u>42,482</u>

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

## Group

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Non-current assets</b>				
Long-term investments measured at fair value through profit or loss				
– Unlisted equity securities	<u>19,449</u>	<u>24,622</u>	<u>25,882</u>	<u>25,434</u>
<b>Current assets</b>				
Short-term investments measured at fair value through profit or loss				
– Wealth management products	<u>100,259</u>	<u>100,596</u>	<u>112,201</u>	<u>107,168</u>

## Company

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Non-current assets</b>				
Long-term investments measured at fair value through profit or loss				
– Unlisted equity securities	19,449	24,622	25,882	25,434
<b>Current assets</b>				
Short-term investments measured at fair value through profit or loss				
– Wealth management products	100,259	100,596	100,184	100,164

## 20 CONTRACT FULFILMENT COSTS

## Group

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Contract fulfilment costs	3,138	7,695	1,742	16,963

## Company

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Contract fulfilment costs	3,133	7,129	1,054	16,672

Contract fulfilment costs are the costs incurred to fulfil contracts of provision of products and services, which will be recognized to cost of sales when the Group's related performance obligations are satisfied and hence the related revenue is recognized. Management considers that no provision for impairment of contract fulfilment costs is required to be recognized as of the respective balance sheet dates.

## 21 TRADE AND NOTES RECEIVABLES

## Group

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Trade receivables				
– Third parties	43,642	134,047	172,684	147,403
– Related parties	5,983	8,105	1,829	829
Notes receivables	–	–	–	8,607
Less: credit loss allowance	(203)	(2,157)	(8,818)	(6,796)
	49,422	139,995	165,695	150,043



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

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>At the beginning of the year/period</b>	(43)	(203)	(2,157)	(2,157)	(8,818)
Credit loss allowance (recognized)/reversed, net	(160)	(1,954)	(6,661)	(1,903)	2,022
<b>At the end of the year/period</b>	(203)	(2,157)	(8,818)	(4,060)	(6,796)

#### Company

	As at December 31,			As at
	2021	2022	2023	June 30, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– Third parties	44,571	132,349	165,308	144,894
– Related parties	–	1,122	1,829	829
Notes receivables	–	–	–	4,424
Less: credit loss allowance	(143)	(2,133)	(8,560)	(6,626)
	44,428	131,338	158,577	143,521

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

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>At the beginning of the year/period</b>	(43)	(143)	(2,133)	(2,133)	(8,560)
Credit loss allowance (recognized)/reversed, net	(100)	(1,990)	(6,427)	(1,926)	1,934
<b>At the end of the year/period</b>	(143)	(2,133)	(8,560)	(4,059)	(6,626)

The carrying amounts of the Group's and the Company's trade and notes receivables are denominated in RMB.

The Group generally allows a credit period within 90 to 180 days to its customers. Aging analysis of trade and notes receivables based on date of completion of contractual obligations is as follows:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Trade and notes receivables</b>				
Up to 6 months	41,475	119,689	125,381	48,047
6 months to 1 year	–	8,896	3,702	73,288
1 to 2 years	8,100	3,395	35,066	33,726
Over 2 years	50	10,172	10,364	1,778
	<u>49,625</u>	<u>142,152</u>	<u>174,513</u>	<u>156,839</u>

The Company generally allows a credit period within 90 to 180 days to its customers. Aging analysis of trade and notes receivables based on date of completion of contractual obligations is as follows:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Trade and notes receivables</b>				
Up to 6 months	36,421	116,062	119,417	43,556
6 months to 1 year	–	3,842	3,202	71,915
1 to 2 years	8,100	3,395	34,154	33,726
Over 2 years	50	10,172	10,364	950
	<u>44,571</u>	<u>133,471</u>	<u>167,137</u>	<u>150,147</u>

## Group

The credit loss allowance of the Group's trade and notes receivables as at December 31, 2021, 2022, 2023 and June 30, 2024 were determined as follows:

	As at December 31, 2021		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		
Credit loss allowance	<u>49,625</u>	<u>-0.41%</u>	<u>(203)</u>
	As at December 31, 2022		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		
Credit loss allowance	<u>142,152</u>	<u>-1.52%</u>	<u>(2,157)</u>

	As at December 31, 2023		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		

Credit loss allowance	174,513	-5.05%	(8,818)
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	As at June 30, 2024		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		

Credit loss allowance	156,839	-4.33%	(6,796)
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**Company**

The credit loss allowance of the Company's trade and notes receivables as at December 31, 2021, 2022, 2023 and June 30, 2024 were determined as follows:

	As at December 31, 2021		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		

Credit loss allowance	44,571	-0.32%	(143)
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	As at December 31, 2022		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		

Credit loss allowance	133,471	-1.60%	(2,133)
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	As at December 31, 2023		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		

Credit loss allowance	167,137	-5.12%	(8,560)
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	As at June 30, 2024		
	Gross carrying amount	Expected credit loss rate	Credit loss allowance
	<i>in thousands, except for percentages</i>		

Credit loss allowance	150,147	-4.41%	(6,626)
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## 22 PREPAYMENTS AND OTHER RECEIVABLES

## Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Listing expenses to be capitalized	5,825	29,205	36,095	39,191
Prepayments to suppliers	2,988	486	876	4,394
Deductible value-added input tax	–	105	332	1,039
Prepayment of income tax	3,376	–	–	–
Rental, bidding and other deposits	1,860	1,732	2,208	2,007
Others	193	718	274	2,447
Less: credit loss allowance	(17)	(11)	(323)	(409)
	<u>14,225</u>	<u>32,235</u>	<u>39,462</u>	<u>48,669</u>

Movements on the Group's credit loss allowance for prepayments and other receivables are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	(25)	(17)	(11)	(11)	(323)
Credit loss allowance reversed/(recognized), net	<u>8</u>	<u>6</u>	<u>(312)</u>	<u>(254)</u>	<u>(86)</u>
At the end of the year/period	<u>(17)</u>	<u>(11)</u>	<u>(323)</u>	<u>(265)</u>	<u>(409)</u>

## Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Listing expenses to be capitalized	5,825	29,205	36,095	39,191
Prepayments to suppliers	2,988	428	689	4,143
Deductible value-added input tax	–	72	284	865
Prepayment of income tax	3,376	–	–	–
Rental, bidding and other deposits	895	686	1,120	964
Others	165	718	274	2,441
Less: credit loss allowance	(17)	(9)	(322)	(407)
	<u>13,232</u>	<u>31,100</u>	<u>38,140</u>	<u>47,197</u>

Movements on the Company's credit loss allowance for other receivables are as follows:

	Year ended December 31,			Six months ended	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
<b>At the beginning of the year/period</b>	(25)	(17)	(9)	(9)	(322)
Credit loss allowance reversed/(recognized), net	8	8	(313)	(253)	(85)
<b>At the end of the year/period</b>	<u>(17)</u>	<u>(9)</u>	<u>(322)</u>	<u>(262)</u>	<u>(407)</u>

As at December 31, 2021, 2022, 2023 and June 30, 2024, the carrying amounts of the Group's and the Company's other receivables were denominated in RMB and approximated their fair values at each of the reporting dates. Other receivables that are measured at amortized cost include deposits which are considered to be of low credit risk, and thus the impairment provision recognized during the Track Record Period was limited to 12 months expected losses.

## 23 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

Cash and cash equivalents mainly include deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less.

#### *Group*

	As at December 31,			As at
	2021 RMB'000	2022 RMB'000	2023 RMB'000	June 30, 2024 RMB'000
Cash and cash equivalents	<u>81,837</u>	<u>151,046</u>	<u>118,431</u>	<u>34,090</u>

#### *Company*

	As at December 31,			As at
	2021 RMB'000	2022 RMB'000	2023 RMB'000	June 30, 2024 RMB'000
Cash and cash equivalents	<u>51,509</u>	<u>134,918</u>	<u>113,054</u>	<u>25,290</u>

### (b) Term deposits with initial term of over three months

Term deposits with initial term of over three months are term deposits with a maturity of more than 3 months and less than 1 year. The carrying amounts of term deposits with initial term of over three months approximated their fair values due to the nature and short maturities of the related assets.

*Group and Company*

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Term deposits with initial term of over three months	–	–	–	60,000

**(c) Restricted cash**

Restricted cash represent amounts held at banks as security deposits mainly for the issuance of letters of guarantee or bank acceptance bills.

*Group*

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Restricted cash	20,003	3,660	3,669	3,669

*Company*

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Restricted cash	20,003	3,660	3,660	3,660

**24 PAID-IN CAPITAL/SHARE CAPITAL**

Paid-in capital is generated from founders' and investors' capital injections. The excess of total consideration raised over paid-in capital was credited to the Company's capital reserves (Note 25).

**Group and Company**

	As at January 1, 2021	Capital contributions	As at December 31, 2021
	RMB'000	RMB'000	RMB'000
Paid-in capital (Note (a))	1,457	257	1,714

	As at January 1, 2022	Capital conversion	As at December 31, 2022
	RMB'000	RMB'000	RMB'000
Paid-in capital/Share capital (Note (b))	1,714	98,286	100,000

	As at January 1, 2023 <i>RMB'000</i>	Capital contributions <i>RMB'000</i>	As at December 31, 2023 <i>RMB'000</i>
Share capital	100,000	—	100,000

	As at January 1, 2024 <i>RMB'000</i>	Capital contributions <i>RMB'000</i>	As at June 30, 2024 <i>RMB'000</i>
Share capital	100,000	—	100,000

*Notes:*

- (a) In July 2021, the Company obtained Series A financing from five shareholders amounting to RMB150,000,000, of which RMB257,135 represents paid-in capital and the excess of RMB149,742,865 was credited to the Company's capital reserve.
- (b) On November 8, 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at May 31, 2022, the conversion base date, amounting to approximately RMB 358,744,839 were converted into 100,000,000 ordinary shares at RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's reserves.

## 25 RESERVES

### Group and Company

	Capital reserves (Note 24) <i>RMB'000</i>	Share-based payments expenses (Note 26) <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at January 1, 2021</b>	12,918	—	729	—	13,647
Capital contributions from shareholders (Note 24(a))	149,743	—	—	—	149,743
Recognition of redemption liabilities (Note (a))	—	—	—	(30,000)	(30,000)
Derecognition of redemption liabilities (Note (a))	—	—	—	30,000	30,000
Share-based payments expenses	—	1,036	—	—	1,036
Transfer to PRC statutory reserves	—	—	128	—	128
<b>Balance at December 31, 2021</b>	162,661	1,036	857	—	164,554

	Capital reserves (Note 24) RMB'000	Share-based payments expenses (Note 26) RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance at January 1, 2022</b>	162,661	1,036	857	—	164,554
Capital contributions from shareholders (Note (b))	131,897	—	—	—	131,897
Conversion into a joint stock company	(37,367)	—	(857)	—	(38,224)
Share-based payments expenses	—	1,135	—	—	1,135
Transfer to PRC statutory reserves	—	—	5,316	—	5,316
<b>Balance at December 31, 2022</b>	<u>257,191</u>	<u>2,171</u>	<u>5,316</u>	<u>—</u>	<u>264,678</u>
<b>Balance at January 1, 2023</b>	257,191	2,171	5,316	—	264,678
Share-based payments expenses	—	938	—	—	938
Transfer to PRC statutory reserves	—	—	5,514	—	5,514
<b>Balance at December 31, 2023</b>	<u>257,191</u>	<u>3,109</u>	<u>10,830</u>	<u>—</u>	<u>271,130</u>
(Unaudited)					
<b>Balance at January 1, 2023</b>	257,191	2,171	5,316	—	264,678
Share-based payments expenses	—	474	—	—	474
<b>Balance at June 30, 2023</b>	<u>257,191</u>	<u>2,645</u>	<u>5,316</u>	<u>—</u>	<u>265,152</u>
<b>Balance at January 1, 2024</b>	257,191	3,109	10,830	—	271,130
Share-based payments expenses	—	604	—	—	604
<b>Balance at June 30, 2024</b>	<u>257,191</u>	<u>3,713</u>	<u>10,830</u>	<u>—</u>	<u>271,734</u>

## Notes:

- (a) Treasury stock is recorded to reflect the carrying amount of the redemption liabilities when they are reclassified from equity (Note 29).
- (b) During 2022, two shareholders of the Company injected capital to the Company amounting to RMB132,000,000, of which RMB102,854 represents paid-in capital and the excess of RMB131,897,146 was credited to the Company's capital reserves.



**26 SHARE-BASED PAYMENTS**

Share-based payments expenses for the years presented relate to the employee incentive scheme as detailed below.

On December 31, 2020, shareholders of the Company granted 27 employees (including three executive directors of the Company) restricted stock units for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. These eligible participants were granted a total of 1.933% of indirect equity interests of the Company at a consideration of RMB1 per person. These awards may be earned upon the completion of three-year performance periods after the successful listing of the shares of the Company.

During the Track Record Period, share-based payments expenses amounting to RMB1,036,000, RMB1,135,000, RMB938,000, RMB474,000 and RMB604,000 were recognized for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 and 2024, respectively.

Movements in the number of restricted stock units granted to employees are set out as below:

	Number of restricted stock units
Outstanding as at January 1, 2020	–
Granted at December 31, 2020	28,165
	<hr/>
<b>Outstanding as at December 31, 2021, 2022, 2023 and June 30, 2024</b>	<b>28,165</b>
	<hr/> <hr/>

**Fair value of restricted stock units**

The Group has used the discounted cash flow method and the straight-line interpolation method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying share capital. The fair value of each restricted stock unit was determined by reference to the fair value of the ordinary shares of the Company. Key assumptions as set out below are determined by the Group based on management's best estimates.

	As at December 31, 2020
Fair value per restricted stock (RMB)	228
Exercise price (RMB)	1
Weighted average cost of capital	16.2%
Dividend yield	0%
Expected volatility	44.1%

**27 TRADE PAYABLES****Group**

Trade payables and their aging analysis based on date of receipt of goods and services are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	25,266	15,866	6,097	–
3 to 6 months	51	–	–	–
Over 6 months	512	1,683	1,065	2,248
	<hr/>	<hr/>	<hr/>	<hr/>
	25,829	17,549	7,162	2,248
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As at December 31, 2021, 2022, 2023 and June 30, 2024, the carrying amounts of trade payables were primarily denominated in RMB, which approximated their fair values.

**Company**

Trade payables and their aging analysis based on date of receipt of goods and services are as follows:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Up to 3 months	19,266	13,603	5,673	–
3 to 6 months	51	–	–	–
Over 6 months	512	1,183	544	1,303
	<u>19,829</u>	<u>14,786</u>	<u>6,217</u>	<u>1,303</u>

As at December 31, 2021, 2022, 2023 and June 30, 2024, the carrying amounts of trade payables were primarily denominated in RMB, which approximated their fair values.

**28 OTHER PAYABLES AND ACCRUALS****Group**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Payroll payable	4,181	6,751	9,183	4,785
VAT payable	2,661	8,581	763	45
Other tax payable	339	1,293	208	288
Listing expenses payable	–	10,105	2,630	2,574
Payables to vendors	–	–	7,950	9,532
Others	1,002	500	316	844
	<u>8,183</u>	<u>27,230</u>	<u>21,050</u>	<u>18,068</u>

**Company**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Payroll payable	3,406	6,040	8,207	4,426
VAT payable	1,970	8,581	693	45
Other tax payable	271	1,270	180	288
Listing expenses payable	–	10,105	2,630	2,574
Payables to vendors	–	–	7,950	9,532
Others	1,002	485	316	329
	<u>6,649</u>	<u>26,481</u>	<u>19,976</u>	<u>17,194</u>

The carrying amounts of other payables approximated their fair values as at December 31, 2021, 2022, 2023 and June 30, 2024.

**29 REDEMPTION LIABILITIES**

In July 2021, the Company obtained a total of RMB150 million Series A financing from five investors. Pursuant to the shareholders agreement dated July 1, 2021 and entered into between the Company and all shareholders (including the five investors), one of the investors has a right to require the Company to redeem its investment in the Company if any non-PRC incorporated entity obtains over 50% equity interest in the Company and becomes the single largest shareholder of the Company or obtains control over the Company.

The redemption amount is the higher of (i) original investment principal from the investor, plus an annual rate of 8% for a period of time commencing from the relevant payment date of investment to the redemption date or (ii) the fair value of equity interest of the Company held by the investor upon issuance of a redemption notice by the investor.

On December 31, 2021, the Company and the aforementioned investor entered into supplemental agreement. Pursuant to the supplemental agreement, both parties agreed to cancel the redemption right on the same day. Accordingly, the redemption liability was derecognized on December 31, 2021.

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Redemption liabilities	—	—	—	—

The movements of redemption liabilities during the Track Record Period are set out below:

	Year ended December 31,			Six months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	—	—	—	—	—
Recognition	(30,000)	—	—	—	—
Derecognition	30,000	—	—	—	—
At the end of the year/period	—	—	—	—	—

**30 DEFERRED INCOME TAX**

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheets.

**Group**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Deferred income tax assets	—	—	6,574	8,242
Deferred income tax liabilities	—	—	(3,898)	(3,419)
Deferred income tax assets, net	—	—	2,676	4,823

## (a) Deferred income tax assets

The movements in deferred income tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the period are as follows:

	Lease liabilities RMB'000	Deferred income RMB'000	Tax losses RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
<b>At December 31, 2022</b>	–	–	–	–	–
Credited to profit or loss	2,955	2,359	39	1,221	6,574
<b>At December 31, 2023</b>	<u>2,955</u>	<u>2,359</u>	<u>39</u>	<u>1,221</u>	<u>6,574</u>
Analysis:					
– to be recovered within 12 months	1,516	368	39	909	2,832
– to be recovered after more than 12 months	1,439	1,991	–	312	3,742
	<u>2,955</u>	<u>2,359</u>	<u>39</u>	<u>1,221</u>	<u>6,574</u>
<b>At December 31, 2023</b>	2,955	2,359	39	1,221	6,574
(Charged)/credited to profit or loss	(989)	(955)	3,743	(131)	1,668
<b>At June 30, 2024</b>	<u>1,966</u>	<u>1,404</u>	<u>3,782</u>	<u>1,090</u>	<u>8,242</u>
Analysis:					
– to be recovered within 12 months	1,674	236	3,782	719	6,411
– to be recovered after more than 12 months	292	1,168	–	371	1,831
	<u>1,966</u>	<u>1,404</u>	<u>3,782</u>	<u>1,090</u>	<u>8,242</u>

Other deductible temporary differences are mainly arising from credit losses allowance and share-based payments.

**(b) Deferred income tax liabilities**

The movements in deferred income tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the period are as follows:

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At December 31, 2022</b>	–	–	–
Charged to profit or loss	2,288	1,610	3,898
<b>At December 31, 2023</b>	<u>2,288</u>	<u>1,610</u>	<u>3,898</u>
Analysis:			
– to be recovered within 12 months	–	1,223	1,223
– to be recovered after more than 12 months	2,288	387	2,675
	<u>2,288</u>	<u>1,610</u>	<u>3,898</u>
<b>At December 31, 2023</b>	2,288	1,610	3,898
Charged/(credited) to profit or loss	(45)	(434)	(479)
<b>At June 30, 2024</b>	<u>2,243</u>	<u>1,176</u>	<u>3,419</u>
Analysis:			
– to be recovered within 12 months	–	704	704
– to be recovered after more than 12 months	2,243	472	2,715
	<u>2,243</u>	<u>1,176</u>	<u>3,419</u>

**(c) Deferred income tax assets not recognized**

	As at December 31,			As at
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
<b>Deferred income tax assets not recognized</b>				
Tax losses and temporary difference	4,028	37,232	15,036	17,056
Deferred income tax assets not recognized	<u>1,007</u>	<u>9,308</u>	<u>3,759</u>	<u>4,264</u>

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable.

Tax losses without recognition of deferred income tax assets can be carried forward against future taxable income. As at June 30, 2024, these losses amounting to RMB0.56 million, RMB7.21 million, RMB7.44 million and RMB1.83 million will expire in 2026, 2027, 2028 and 2029, respectively.

**Company**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Deferred income tax assets	–	–	6,522	8,195
Deferred income tax liabilities	–	–	(3,898)	(3,419)
Deferred income tax assets, net	–	–	2,624	4,776

**(a) Deferred income tax assets**

The movements in deferred income tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the period are as follows:

	Lease liabilities RMB'000	Deferred income RMB'000	Tax losses RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
<b>At December 31, 2022</b>	–	–	–	–	–
Credited to profit or loss	2,955	2,359	–	1,208	6,522
<b>At December 31, 2023</b>	2,955	2,359	–	1,208	6,522
Analysis:					
– to be recovered within 12 months	1,516	368	–	896	2,780
– to be recovered after more than 12 months	1,439	1,991	–	312	3,742
	2,955	2,359	–	1,208	6,522
<b>At December 31, 2023</b>	2,955	2,359	–	1,208	6,522
(Charged)/credited to profit or loss	(989)	(955)	3,743	(126)	1,673
<b>At June 30, 2024</b>	1,966	1,404	3,743	1,082	8,195
Analysis:					
– to be recovered within 12 months	1,674	236	3,743	712	6,365
– to be recovered after more than 12 months	292	1,168	–	370	1,830
	1,966	1,404	3,743	1,082	8,195

**(b) Deferred income tax liabilities**

The movements in deferred income tax liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the period are as follows:

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At December 31, 2022</b>	–	–	–
Charged to profit or loss	2,288	1,610	3,898
<b>At December 31, 2023</b>	2,288	1,610	3,898
Analysis:			
– to be recovered within 12 months	–	1,223	1,223
– to be recovered after more than 12 months	2,288	387	2,675
	2,288	1,610	3,898
<b>At December 31, 2023</b>	2,288	1,610	3,898
Charged/(credited) to profit or loss	(45)	(434)	(479)
<b>At June 30, 2024</b>	2,243	1,176	3,419
Analysis:			
– to be recovered within 12 months	–	704	704
– to be recovered after more than 12 months	2,243	472	2,715
	2,243	1,176	3,419

**31 DEFERRED INCOME****Group and Company**

	As at December 31,			As at
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Current liabilities:</b>				
– income-related government grants	2,230	2,322	3,685	2,361
<b>Non-current liabilities:</b>				
– asset-related government grants	6,699	10,905	19,907	11,675

**32 CONTINGENCIES AND COMMITMENTS**

The Group did not have any material contingent liabilities as at December 31, 2021, 2022, 2023 and June 30, 2024.

**(a) Capital commitments**

The Group's capital expenditure contracted for at the end of the dates but not yet incurred is as follows:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Investment in an associate ( <i>Note 17</i> )	490	–	–	–

**33 DIVIDENDS**

No dividends have been paid or declared by the Company or the companies comprising the Group during each of the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, and subsequent to June 30, 2024.

**34 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

**(a) Names and relationships with related parties**

The following companies are related parties of the Group that had significant transactions and/or balances with the Group during the Track Record Period.

Names of the major related parties	Relationship
Hangzhou Yuhang Urban Development Investment Group Co., Ltd.	A shareholder of the subsidiary – Zhejiang Fly Here Technology Co., Ltd
Beijing Zhongliang Materials Co., Ltd.	A company controlled by a significant shareholder – Mr. Hu Dalin
Beijing Saidi Property Management Co., Ltd.	A company controlled by the shareholders of a significant shareholder – Saidi Testing and Certification Centre Co., Ltd.



## (b) Significant transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<i>(i) Sales of goods and services</i>					
Hangzhou Yuhang Urban Development Investment Group Co., Ltd.	14,742	943	865	472	—

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<i>(ii) Purchases of goods and services</i>					
Beijing Zhongliang Materials Co., Ltd.	233	52	—	—	—
Beijing Saidi Property Management Co., Ltd.	28	28	28	14	14
	261	80	28	14	14

## (c) Significant balance with related parties

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
<i>(i) Receivables from related parties</i>				
Hangzhou Yuhang Urban Development Investment Group Co., Ltd.	5,983	8,105	2,758	1,757
<i>(ii) Payables to related parties</i>				
Beijing Saidi Property Management Co., Ltd.	7	—	7	14
<i>(iii) Prepayments to related parties</i>				
Beijing Zhongliang Materials Co., Ltd.	52	—	—	—
<i>(iv) Contract assets</i>				
Hangzhou Yuhang Urban Development Investment Group Co., Ltd.	2,245	—	—	—

All the balances with related parties are trade in nature.

**(d) Key management personnel compensation**

The directors of the Company regard Mr. Hu Dalin, Mr. He Feng and Ms. Ma Lei as key management personnel. The compensation of key management personnel is disclosed in Note 10(b).

**35 CASH FLOW INFORMATION****(a) Cash (used in)/generated from operations**

	<b>Year ended December 31,</b>			<b>Six months ended</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
<b>Profit/(loss) before income tax</b>	39,131	48,686	50,755	(11,978)	(6,746)
Adjustments for:					
– Depreciation of equipment	2,470	6,582	20,446	8,309	13,726
– Depreciation of right-of-use assets	2,639	14,988	12,596	5,689	7,522
– Amortization of intangible assets	2,234	2,956	5,400	2,003	4,607
– Credit loss allowance recognized/(reversed), net	170	1,955	7,024	2,317	(1,931)
– Share-based payment expenses	1,036	1,135	938	474	604
– Interest income	(1,045)	(2,132)	(3,123)	(2,147)	(1,707)
– Interest income from wealth management products	(991)	(1,325)	(894)	(384)	(549)
– Gains on disposal of property and equipment	–	(285)	–	16	1
– Fair value changes on financial assets at fair value through profit or loss	(5,454)	(5,173)	(1,260)	(1,193)	448
– Share of (profit)/loss of the investment accounted for using the equity method	–	(356)	(33)	(1,411)	662
– Increase in contract assets	(3,768)	(508)	(770)	(365)	(985)
– Decrease/(increase) in contract fulfilment costs	3,781	(4,557)	5,953	592	(15,221)
– (Increase)/decrease in trade and notes receivables	(32,678)	(92,527)	(32,361)	38,064	17,674
– (Increase)/decrease in prepayments and other receivables	(9,535)	5,376	(649)	(8,824)	(4,151)
– Decrease/(increase) in restricted cash	–	16,343	(9)	(6,278)	–
– Increase/(decrease) in trade payables	23,662	(8,280)	(10,387)	(12,889)	(4,914)
– (Decrease)/increase in other payables and accruals	(4,075)	11,204	9,033	(6,267)	579
– (Decrease)/increase in contract liabilities	(20,447)	1,544	4,698	4,234	(1,002)
– Decrease in deferred income	(529)	(3,751)	(19,931)	(8,203)	(9,556)
<b>Cash (used in)/generated from operations</b>	<b>(3,399)</b>	<b>(8,125)</b>	<b>47,426</b>	<b>1,759</b>	<b>(939)</b>

**(b) Reconciliation of liabilities from financing activities**

This section sets out an analysis and the movements of liabilities from financing activities for the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2023 and 2024 respectively.

	<b>Lease liabilities</b> (Note 14) RMB'000
<b>Liabilities from financing activities as at January 1, 2021</b>	7,409
Cash flows	(2,975)
Accrued interest expenses	271
Addition of new leases	927
	<hr/>
<b>Liabilities from financing activities as at December 31, 2021</b>	<b>5,632</b>
	<hr/>
<b>Liabilities from financing activities as at January 1, 2022</b>	5,632
Cash flows	(1,952)
Accrued interest expenses	1,586
Addition of new leases	32,264
	<hr/>
<b>Liabilities from financing activities as at December 31, 2022</b>	<b>37,530</b>
	<hr/>
<b>Liabilities from financing activities as at January 1, 2023</b>	37,530
Cash flows	(15,869)
Accrued interest expenses	1,448
Addition of new leases	17,411
	<hr/>
<b>Liabilities from financing activities as at December 31, 2023</b>	<b>40,520</b>
	<hr/>
<b>Liabilities from financing activities as at January 1, 2023</b>	37,530
Cash flows	(13,370)
Accrued interest expenses	692
Addition of new leases	1,567
	<hr/>
<b>Liabilities from financing activities as at June 30, 2023 (unaudited)</b>	<b>26,419</b>
	<hr/>
<b>Liabilities from financing activities as at January 1, 2024</b>	40,520
Cash flows	(14,786)
Accrued interest expenses	678
Addition of new leases	872
	<hr/>
<b>Liabilities from financing activities as at June 30, 2024</b>	<b>27,284</b>
	<hr/>
	<hr/>
	<b>Redemption liabilities</b> (Note 29) RMB'000
<b>Liabilities from financing activities as at January 1, 2021</b>	–
Recognition	(30,000)
Derecognition	30,000
	<hr/>
<b>Liabilities from financing activities as at December 31, 2021</b>	<b>–</b>
	<hr/>

**(c) Major non-cash investing and financing activities**

The major non-cash investing and financing activities during the Track Record Period mainly represent the addition of right-of-use assets and lease liabilities described in Note 14.

**36 SUBSEQUENT EVENTS**

There is no other material subsequent event undertaken by the Company or by the Group after June 30, 2024.

*The information set out in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.*

*The unaudited pro forma financial information should be read in conjunction with "Financial information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.*

#### **A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2024 as if the Global Offering had taken place on June 30, 2024.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at June 30, 2024 or any future date. It is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2024 as derived from the Accountant's Report, set out in Appendix I to this prospectus and adjusted as described below.

	<b>Audited Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company as at June 30, 2024</b>	<b>Estimated Net Proceeds from the Global Offering</b>	<b>Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company as at June 30, 2024</b>	<b>Unaudited Pro Forma Adjusted Net Tangible Assets per Share</b>	
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>	<i>Note 4</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer Price of HK\$12 per Share	458,572	307,252	765,824	5.74	6.21
Based on an Offer Price of HK\$18 per Share	458,572	486,568	945,140	7.09	7.67

*Notes:*

1. The audited consolidated net tangible assets attributable to owners of the Company as at June 30, 2024 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at June 30, 2024 of approximately RMB494,571,000 with an adjustment for the intangible assets attributable to owners of the Company as at June 30, 2024 of approximately RMB35,999,000.
2. The estimated net proceeds from the Global Offering are based on the Offer Price range of HK\$12 per Share and HK\$18 per Share, respectively after deduction of the underwriting fees and other related expenses (excluding those listing expenses of approximately RMB1,334,000 which have been accounted for in the consolidated statements of comprehensive income prior to June 30, 2024) paid/payable by the Company. It does not take account of any shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 133,333,400 shares were in issue assuming the Global Offering had been completed on June 30, 2024 and no Over-allotment Option will be granted.
4. For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.9244 to HK\$1.00, as set out in "Information about this prospectus and the Global Offering" to this prospectus. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2024.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report on pro forma financial information received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Beijing Saimo Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Saimo Technology Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at June 30, 2024, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated December 31, 2024, in connection with the proposed Global Offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed Global Offering on the Group's financial position as at June 30, 2024 as if the proposed Global Offering had taken place at June 30, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended June 30, 2024, on which an accountant's report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Global Offering at June 30, 2024 would have been as presented.



A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, December 31, 2024

**TAXATION OF SECURITY HOLDERS**

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or or other tax provisions. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as at the Latest Practicable Date, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

**The PRC taxation*****Taxation on dividends******Individual investors***

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (hereinafter referred to as the “Individual Income Tax Law”) that was promulgated on 10 September 1980 and amended on 31 August 2018 by the Standing Committee of the 13th NPC, and came into effect on 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例), that were amended by the State Council on 18 December 2018 and came into effect on 1 January 2019, dividends paid by Chinese companies to individual investors are generally subject to a withholding tax at a flat rate of 20%. In addition, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies (財政部、國家稅務總局、證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) issued by the MOF, the SAT and CRSC on 7 September 2015, where an individual acquires stocks of a listed company from public offering of the company or from the stock transfer market and holds the stocks for more than one year, the income from dividends is exempt from individual income tax; if the individual holds the stocks for one month or less, the income from dividends is fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends is taxable; The aforesaid income is subject to an individual income tax at a flat rate of 20%. In fact, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances. However, according to the Circular of the MOF and the SAT on Issues Concerning Individual Income Tax Policies (財政部、國家稅務總局關於個人所得稅若干政策問題的通知), the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On 3 February 2013, the State Council approved

and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知). On 8 February 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (國務院辦公廳關於深化收入分配制度改革重點工作分工的通知). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. According to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 45) (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on 28 June 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the State Administration of Taxation (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) effective on 6 December 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

*Corporate investors*

According to the EIT Law that was amended and came into effect on 29 December 2018, and the Regulations for the Implementation of the EIT Law (中華人民共和國企業所得稅法實施條例) that were amended and came into effect on 23 April 2019, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so, but its income generated in China is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in China (including dividends received from a Chinese resident enterprise whose shares are issued and listed in Hong Kong) and the enterprise income rate is generally 10%. The aforesaid income tax payable by a non-resident enterprise must be withheld at source. The payer of the income is the withholding obligator. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Notice of the Issues Concerning Withholding EIT on the Dividends Distributed by Chinese Resident Enterprises to Overseas H-share Non-Chinese Resident Enterprise Shareholders (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) that was promulgated by the SAT and came into effect on 6 November 2008, further clarifies that with regard to dividends distributed from profits generated after 1 January 2008, Chinese resident enterprises must withhold and pay enterprise income tax at a tax rate of 10% on dividends distributed to H-share non-Chinese resident enterprise shareholders. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆) that was promulgated by the SAT on 24 July 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends distributed to non-Chinese resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the SAT (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) effective on 6 December 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知).

*Tax treaties*

Non-Chinese resident investors residing in countries that have entered into treaties for the avoidance of double taxation with China or residing in Hong Kong or Macau Special Administrative Region are entitled to preferential tax rates on dividends received by such investors from the Chinese companies. China has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau Special Administrative Region, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. A non-Chinese resident enterprise entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to China tax authorities for a refund of the difference between the amount of tax withheld and the amount of tax calculated according to the treaty rate.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (非居民納稅人享受協定待遇管理辦法), which was promulgated by the SAT on 14 October 2019 and became effective on 1 January 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

*Taxes on income from transfer of equity**VAT and local surcharges*

Pursuant to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of VAT in Lieu of Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the “**Circular 36**”), promulgated by the MOF and the SAT on 23 March 2016 and as amended on 11 July 2017, 25 December 2017 and 20 March 2019 respectively, the entities and individuals that sell services, intangible assets or immovable properties within the territory of the PRC are value-added tax payers, and shall pay value-added tax instead of business tax. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to value-added tax at 6% on the taxable income.

Meanwhile, the taxpayers of value-added tax are also subject to urban maintenance and construction tax, education surcharge and local education surcharge.

**Income tax*****Individual investors***

According to the Individual Income Tax Law and its implementation regulations, individuals shall pay the individual income tax at the rate of 20% on their income from the sale of equity in Chinese resident enterprises. In accordance with the Circular of the Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (hereinafter referred to as “No. 61 Circular”) that was promulgated by the MOF and the SAT on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares of listed companies remain exempt from individual income tax. According to the Announcement of the MOF and the SAT about the Catalogue of Preferential Individual Income Tax Policies with Continued Effect (財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告) promulgated by the MOF and the SAT on 29 December 2018, the No. 61 Circular will remain effective.

According to the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) promulgated by the MOF, the SAT and the CSRC on 31 December 2009, individuals’ income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempt from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) jointly issued by the three aforementioned authorities on 10 November 2010.

As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-resident individuals on the sale of shares of PRC-resident enterprises listed on overseas stock exchanges (for example, the Stock Exchange).

***Corporate investors***

According to the EIT Law and its implementation regulations, where a non-Chinese resident enterprise has not set up any institutions or establishments in China, or it has done so but its income generated in China is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in China (including gains from the disposal of shares of Chinese resident enterprises) and the enterprise income rate is generally 10%. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.



**Tax policies for Shanghai – Hong Kong Stock Connect**

On 31 October 2014, the MOF, the SAT and the CRSC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (hereinafter referred to as “**Shanghai – Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shanghai – Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shanghai – Hong Kong Stock Connect is included in their total income and enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shanghai – Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. Among them, enterprise income tax will be exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H Shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonus obtained by individual investors of the Mainland of China investing in H Shares listed on the Stock Exchange through Shanghai – Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (hereinafter referred to as “**CSDCC**”) for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

**Tax policies for Shenzhen – Hong Kong Stock Connect**

On 5 November 2016, the MOF, the SAT and the CRSC jointly issued the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (hereinafter referred to as “**Shenzhen – Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shenzhen – Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shenzhen – Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the Mainland of China investing in stocks listed on the Stock Exchange through Shenzhen – Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. EIT is exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H Shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonus obtained by individual investors of the Mainland of China investing in the H Shares listed on the Stock Exchange through Shenzhen – Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%.

**PRC stamp duty**

In accordance with the Stamp Tax Law of the PRC (中華人民共和國印花稅法) that was promulgated on 10 June 2021 and came into effect on 1 July 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law. Where entities or individuals, outside the territory of the PRC, conclude taxable certificates that are used within the territory of the PRC, they shall pay stamp tax in accordance with the provisions of this law.

**Estate duty**

As at the date of this prospectus, China currently has not imposed any estate tax.

**PRINCIPAL TAXATION OF OUR GROUP IN THE PRC****Enterprise income tax**

According to the EIT Law, the EIT rate in China is 25% and is in line with the rate applicable to foreign-invested enterprises and foreign enterprises.

According to the Announcement of the MOF and the SAT on Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Proprietors with Tax Policies (財政部、國家稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告) that was promulgated on 2 August 2023 and implemented on 1 January 2023, for small and micro-profit enterprises, the taxable income will be calculated at the reduced rate of 25% and the EIT shall be paid at the tax rate of 20%, and the policy will continue to be implemented until 31 December 2027.

According to the Administrative Measures for Recognition of High and New-Technology Enterprises (高新技術企業認定管理辦法) that was promulgated by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), the MOF and the SAT on 14 April 2008, amended on 29 January 2016 and came into effect on 1 January 2016, high- and new-tech enterprises can apply for a preferential enterprise income tax rate of 15% in accordance with the EIT Law.



**Value-added tax**

Pursuant to the Provisional Regulations on VAT of the PRC (中華人民共和國增值稅暫行條例) that were amended and came into effect on 19 November 2017, all organisations and individuals engaged in sales of goods, provision of processing, repairs and replacement services, or import of goods within the territory of China are subject to VAT. For taxpayers selling or importing goods, except as otherwise provided in the above regulations, the general tax rate is 17%.

Pursuant to the Circular 36 that promulgated by the MOF and the SAT on 23 March 2016 and came into effect on 1 May 2016, upon approval of the State Council, the pilot programme of replacing business tax with VAT will be promoted nationwide from 1 May 2016. All business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry are included in the scope of the pilot programme. The payment of business tax will be replaced by the payment of VAT. Pursuant to the Measures for the Implementation of the Pilot Programme of Replacing Business Tax with VAT (營業稅改徵增值稅試點實施辦法) that was issued and came into effect at the same time with the aforementioned notice, the tax rates applied to taxpayers for selling services, intangible assets or real estates shall be 17%, 11%, 6% and zero, respectively.

Pursuant to the Notice on Adjusting VAT Rates (關於調整增值稅稅率的通知) that was promulgated by the MOF and the SAT on 4 April 2018 and came into effect on 1 May 2018, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 17% and 11% are adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告) that was promulgated by the MOF, the SAT and General Administration of Customs of the PRC (中華人民共和國海關總署) on 20 March 2019 and came into effect on 1 April 2019, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 16% and 10% are adjusted to 13% and 9%, respectively.

According to the Announcement on the VAT Reduction and Exemption Policy for Small-scale VAT Taxpayers (關於增值稅小規模納稅人減免增值稅政策的公告) promulgated and implemented by the MOF and the SAT on 1 August 2023, small-scale VAT taxpayers with monthly sales less than RMB100,000 (inclusive) are exempt from VAT, and the announcement will be implemented until 31 December 2027.

**FOREIGN EXCHANGE ADMINISTRATION REGULATIONS IN THE PRC**

The principal regulations governing foreign currency exchange in the PRC is Forex Regulations which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008 and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) which was promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterparts is obtained.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries business of foreign exchange settlement and sale by presenting valid documentation. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' general meetings on the distribution of profits, effect payment from foreign exchange accounts or with the purchased foreign exchange at designated foreign exchange banks.

On 26 December 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知), pursuant to which a domestic company shall, within 15 working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials. Funds raised by a domestic company through overseas listing may be transferred back or deposited overseas, and the use of such funds shall be consistent with those contents mentioned in publicly disclosed documents such as the prospectus.

On 13 February 2015, the SAFE issued the Notice of on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which came into effect on 1 June 2015 and was partially repealed on 30 December 2019. The notice has cancelled the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the SAFE on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) issued by the SAFE on 9 June 2016, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to international balance of payments.

**THE PRC LEGAL SYSTEM**

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, separate rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations, separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgements do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (中華人民共和國憲法) (hereinafter referred to as “**Constitution**”, which was promulgated on 4 December 1982 and last amended and came into effect on 11 March 2018) and the Legislation Law of the PRC (中華人民共和國立法法, which was adopted on 1 July 2000 and amended on 15 March 2023) (hereinafter referred to as “**Legislation Law**”), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws of criminal and civil matters, State institutions and others. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative organ of the State, and enacts administrative regulations under the Constitution and laws.

People’s congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

The ministries, commissions, the PBOC, National Audit Office of the PRC (中華人民共和國審計署) and the State Committee of Supervisory of the PRC (中華人民共和國國家監察委員會) with administrative functions may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. In order to implement the laws, administrative regulations and decisions and rulings of the State Council, provisions of rules and regulations within the jurisdiction are formulated.

People’s congresses of cities with districts and their standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people’s congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval by the SCNPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

People's governments of provinces, autonomous regions and municipalities directly under the central government and larger cities may formulate rules according to laws, administrative regulations and relevant local regulations.

The Constitution, enacted by the NPC, is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The hierarchy of laws is higher than that of administrative regulations, local regulations, and rules. The hierarchy of administrative regulations is higher than that of local regulations and rules. The hierarchy of local regulations is higher than that of the rules of the local governments at or below the corresponding level. The hierarchy of the rules enacted by the people's governments of the provinces or autonomous regions is higher than that of the rules enacted by the people's governments of cities and autonomous prefectures with districts within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulation which has been approved by the standing committees of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government but contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on 10 June 1981, interpretation on the application of laws and decrees in court trials and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate of the PRC (中華人民共和國最高人民檢察院), respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions.

In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

### **PRC JUDICIAL SYSTEM**

Under the Constitution and the Law of the PRC of Organisation of the People's Courts (中華人民共和國人民法院組織法) which was enacted on 5 July 1979, implemented on 1 January 1980 and last amended on 26 October 2018 and took effect on 1 January 2019, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organised into civil, criminal, and economic tribunals. The intermediate people's courts may be organised into divisions similar to those of the basic people's courts, and may be further organised into other special divisions. The people's courts at lower levels are subject to the supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trial of the cases. A party to the case concerned may appeal against the judgement and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgement and ruling of the first instance by the local people's courts shall be final and legally binding. Judgements and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgements and rulings of the first instance of the Supreme People's Court shall be the final judgements and rulings. If, however, the Supreme People's Court finds some definite errors in a legally effective judgement, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgement, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgement, ruling or conciliation statement, and considers that a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision. For death penalties, except those judged by the Supreme People's Court, requests shall be submitted to the Supreme People's Court for approval.



The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (hereinafter referred to as “**Civil Procedure Law**”), which was enacted on 9 April 1991 and last amended on 1 September 2023 and became effective on 1 January 2024, sets forth the criteria for instituting a civil case, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by the people’s court located in the defendant’s place of domicile. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over the plaintiff’s or the defendant’s place of residence, the place of execution of the contract or the place of performance of the contract, or the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a stateless person, a foreign enterprise or a foreign organisation is given the equal litigation rights and obligations as a citizen, a legal person or other organisations in the PRC when initiating actions or defending against litigations at a PRC court. Should foreign courts impose restrictions on the litigation rights of the citizens, legal persons or other organisations in the PRC, the PRC courts shall impose reciprocal restrictions on the litigation rights of citizens, enterprises and organisations in that country. A foreign individual, a stateless person, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgements and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

A party seeking to enforce a judgement or order of a people’s court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. In the case of an application or request for recognition and enforcement of a legally effective judgement or order of a foreign court, the people’s court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognise the validity of the judgement or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people’s court shall not recognise and enforce it.

**THE PRC COMPANY LAW, THE OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES ON THE ARTICLES OF ASSOCIATION**

The PRC Company Law which was promulgated on 29 December 1993 by the SCNPC, last amended on 29 December 2023 and came into effect on 1 July 2024 regulates the organisation and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The amendment to the PRC Company Law in 2013 has cancelled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Overseas Listing Trial Measures**”) promulgated by the CSRC on 17 February 2023 with effect from 31 March 2023 are applicable to the overseas securities offering and listing by the PRC domestic companies.

The Guidelines on the Articles of Association for Listed Companies (the “**Articles Guidelines**”) last amended by the CSRC on 15 December 2023 with effect from the same date provide guidance for the company’s articles of association. Accordingly, the contents as provided in the Articles Guidelines have been included in the Articles of Association of our Company, a summary of which is set out in Appendix V to this prospectus.

Set out below is a summary of the principal provisions of the Company Law, the Overseas Listing Trial Measures and the Articles Guidelines applicable to our Company.

**General**

A joint-stock limited liability company (hereinafter referred to as “**company**”) refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

**Incorporation**

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must have domicile in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.



For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary property shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting notify all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall authorize representatives to apply for registration with the company registration authority. The company is formally established and has the status of a legal person after the approval for registration has been given and a business licence has been issued by the relevant registration authority. Where after the incorporation of a company, a promoter fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association, he shall pay them in full and the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company's articles of association, the promoters shall make up the difference; and the other promoters shall bear joint and several liability.

If the shares required to be issued at the time of the establishment of a company are not fully subscribed, or if, after the full payment for the issued shares, the promoters fail to convene an establishment meeting within 30 days, any subscriber may demand the promoters to refund their subscriptions, plus the interest calculated based on the bank interest rate for the corresponding period.

In cases where the company is not established, the legal consequences shall be borne by the shareholders at the time of establishment; if there are two or more shareholders at the time of establishment, they shall have joint and several claims and bear joint and several liabilities.

If a shareholder at the time of establishment causes harm to another person due to performance of their responsibilities for the establishment of the company, the company or other faultless shareholders may seek to recover any resulting compensation liability borne by them from the shareholder at fault.

### **Share capital**

The promoters may make capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out in accordance with the laws or administrative regulations on valuation without any over-valuation or under-valuation.

Shares shall be issued in a fair and equitable manner. The same class of shares must carry equal rights. Shares of the same class issued at the same time must be issued on the same conditions and at the same price. The same price per share shall be paid by a subscriber, an entity or an individual, and shall be equal to or greater than the nominal value of the share and shall not be less than the nominal value.

A PRC domestic company shall file with the CSRC before offering its shares to the public overseas. Pursuant to the Overseas Listing Trial Measures, the target investors for overseas issuance and listing of a domestic company shall be overseas investors, except as in compliance with the Overseas Listing Trial Measures or otherwise provided by the state.

Under the PRC Company Law, a company shall prepare a shareholder register and place it within its premises which sets forth the following matters:

- (i) the name and domicile of each shareholder;
- (ii) Type and quantity of subscribed shares for each shareholder;
- (iii) For stocks issued in paper form, the stock serial numbers; and
- (iv) the date on which each shareholder purchased the shares.

**Increase in share capital**

According to the PRC Company Law, if a company proposes to issue new shares, resolutions shall be passed at a Shareholders' general meeting in accordance with the articles of association to determine the class, amount and issue price of the new shares.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law provides that the company shall:

- (i) have a sound organisational structure with satisfactory operating record;
- (ii) the company is a going concern;
- (iii) the auditors have issued an unqualified audit report on the financial and accounting documents of the company for the past three years;
- (iv) the company and its controlling shareholders and de facto controllers have not had any criminal records in the past three years in relation to corruption, bribery, embezzlement, misappropriation of assets and breach of socialist market economic order; and
- (v) other requirements as prescribed by the securities regulatory authority of the State Council approved by the State Council.

Pursuant to the PRC Company Law, when the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, a company must change its registration with the company registration authority and issue a public notice accordingly.

**Reduction of share capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- (i) the company shall prepare a balance sheet and an inventory of the assets;
- (ii) the reduction of registered capital must be approved by shareholders in a Shareholders' general meeting;
- (iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper or the National Enterprise Credit Information Publicity System within thirty (30) days after the resolution approving the reduction has been passed;

- (iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; The creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and
- (v) the company must apply to the company registration authority for registration of the reduction in registered capital.

**Repurchase of shares**

A company may not repurchase its own shares other than for one of the following purposes:

- (i) reducing the registered capital of the company; or
- (ii) merging with another company that hold shares in the company; or
- (iii) applying the shares for the staff shareholding scheme or as share incentives; or
- (iv) shareholders who disagree with the resolutions for the merger and separation of the company made in a Shareholders' general meeting may demand the company to purchase their shares; or
- (v) utilising the Shares for conversion of corporate bonds which are convertible into shares issued by the listed companies; or
- (vi) where it is necessary for the listed companies to safeguard its value and shareholders' interests.

Where the company needs to purchase its own shares under any of the circumstances set out in clauses (i) and (ii) under the preceding article, it shall be subject to a resolution of a Shareholders' general meeting. Where the company needs to purchase its own shares under any of the circumstances set out in clauses (iii), (v) and (vi) under the preceding article, it shall be made as prescribed by the articles or under the authorisation by a Shareholders' general meeting and approved by way of a resolution at the board meeting attended by more than two thirds of the directors of the company.

After the company purchases its own shares under the circumstance set out in clauses (i), it shall cancel the purchased shares within 10 days after the purchase; while under either circumstance set out in clauses (ii) or (iv), transfer them or write them off within six months; while under any of the circumstances set out in clauses (iii), (v) or (vi), the aggregate number of shares of the company held by itself shall not exceed 10% of its total shares in issue and the company shall transfer them or write them off within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure. A listed company purchasing its own shares under any of the circumstances set out in clauses (iii), (v) and (vi) shall carry out trading in a public and centralised manner.

A company may not accept its own shares as the subject matter of a mortgage.

### **Transfer of shares**

Shares may be transferred in accordance with the relevant laws and regulations.

According to the PRC Company Law, a shareholder may transfer his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Stocks may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any otherwise stipulated legal provisions on the registration of changes in the share register of listed companies.

According to the PRC Company Law, Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Where any laws, administrative regulations, or the securities regulatory authority under the State Council have other provisions regarding the transfer of shares of a listed company by its shareholders or actual controllers, those provisions shall prevail. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

### **Shareholders**

Under the PRC Company Law and the Articles Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the rights:

- (i) to attend or appoint a proxy to attend shareholders' general meetings and to exercise the voting rights;
- (ii) to transfer the shares according to the laws and administrative regulations and the articles of association;

- (iii) to inspect the articles of association, shareholder register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;
- (iv) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors any contents of which is in violation of the articles of association;
- (v) to receive dividends and other types of interest distributing in respect of the number of shares held;
- (vi) to receive residual properties of the company in proportion to their shareholdings upon the terminating or liquidation of the company; and
- (vii) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in laws, administrative regulations, regulatory documents and the articles of association.

#### **Shareholders' general meeting**

The Shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

- (i) to elect and remove the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;
- (ii) to review and approve the reports of the board of directors;
- (iii) to review and approve the reports of the supervisory board;
- (iv) to review and approve the company's profit distribution proposals and loss recovery proposals;
- (v) to decide on any increase or reduction of the company's registered capital;
- (vi) to decide on the issue of corporate bonds;

- (vii) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- (viii) to amend the company's articles of association; and
- (ix) to exercise any other authority stipulated in the articles of association.

The shareholders' meeting may authorize the board of directors to make resolutions regarding the issuance of corporate bonds.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

- (i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;
- (ii) the outstanding losses of the company reach one-third of the company's total paid-in share capital;
- (iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting shall be convened;
- (iv) the board deems necessary;
- (v) the supervisory board so requests; or
- (vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting.

Under the PRC Company Law, a single shareholder who holds, or several shareholders who jointly hold, 1% or more of the shares of the company may submit an interim proposal in writing to the board of directors 10 days before the general meeting is held. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

The general meeting shall not make resolutions on matters that are not clearly listed in the notices given to the shareholders.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, except for shareholders of non-ordinary shares, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the shareholders attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.



**Board of directors**

The board of directors of a company shall consist of three or more members, and may include employee representatives among them. In the case of a company with three hundred or more employees, except when a board of supervisors has been established including a number of employee representatives among its members as required by law, the company's board of directors shall include employee representatives among its members. An employee representative on the board of directors shall be elected by the company's employees through the employee representative assembly, employee assembly, or other forms of democratic elections. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise the following powers:

- (i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolution passed by the shareholders at the shareholders' general meeting;
- (iii) to decide on the company's operational plans and investment proposals;
- (iv) to formulate the company's profit distribution proposals and loss recovery proposals;
- (v) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- (vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- (vii) to decide on the setup of the company's internal management organs;
- (viii) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- (ix) to formulate the company's basic management system; and
- (x) to exercise any other authority stipulated in the articles of association or granted by the shareholders' meeting.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation that his/her representative has. The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

- (i) a person who is unable or has limited ability to undertake any civil liabilities;
- (ii) a person who has been subjected to criminal punishment for corruption, bribery, embezzlement or misappropriation of property, or disruption of the economic order of the socialist market, or who has ever been deprived of political rights due to a criminal conviction, and five years have not elapsed since the term of punishment was completed, or in the case of a suspended sentence, two years have not elapsed since the probation period was completed;
- (iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into solvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- (iv) Any former legal representative of a company or enterprise which has had its business license revoked or been ordered to shut down due to any violation of the law, and where the individual was personally responsible for the situation, and three years have not elapsed since the date of revocation of business license or shutdown order; and
- (v) a person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

A company may, as stipulated in its articles of association, establish an audit committee within the board of directors composed of directors to exercise the functions and powers prescribed for the board of supervisors by this Law, without establishing a board of supervisor or supervisor.

### **Supervisory board**

A company shall have a supervisory board composed of three or more members. The supervisory board consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors. The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors.

According to the Reply of the Overseas Listing Department of the CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to be Listed in Hong Kong (中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函), the chairman of the supervisory board shall be appointed by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

- (i) to review the company's financial position;
- (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated any laws, regulations, the articles of association or shareholders' resolutions;
- (iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;
- (iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;
- (v) to submit proposals to the shareholders' general meetings;
- (vi) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and
- (vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operations of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

**Manager and senior management**

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager shall report to the board of directors and exercise functions and powers as specified in the articles of association or as authorized by the board of directors.

The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

**Duties of directors, supervisors, general managers and other senior management**

Directors, supervisors, the general manager, the deputy manager and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith and with due diligence.

Directors, supervisors, senior management are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

- (i) Embezzling company property or misappropriating company funds;
- (ii) depositing company funds into accounts under their own names or the names of other individuals;
- (iii) Personally accepting commissions on transactions to which the company is a party;
- (iv) unauthorised divulgence of confidential information of the company; and
- (v) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned provisions shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, or if a limited liability company has no supervisory board, supervisors, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for over 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institutes litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

### **Finance and accounting**

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium received from the issuance of shares by the company at a price exceeding the face value of the stocks, the amount of capital obtained from the issuance of non-par value shares that is not included in the registered capital, and other items stipulated by the finance authority under the State Council to be included in the capital reserve, shall be included in the capital reserve. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. When using a company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of any individual.

#### **Appointment and retirement of auditors**

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board of directors or supervisory board in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

**Profit distribution**

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

**Amendments to the articles of association**

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

**Dissolution and liquidation**

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

- (i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- (ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;
- (iii) the company is dissolved by reason of its merger or division;
- (iv) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or
- (v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operations and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering on-going existence of the company a cause for significant losses to the shareholders.

In cases where a company falls under the circumstances specified in subparagraph (i) or (ii) above and has not yet distributed its assets to shareholders, it may continue its existence by amending its articles of association or by resolution of the shareholders' meeting. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.



Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court and request the court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

- (i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;
- (ii) to notify the company's creditors or publish announcements;
- (iii) to deal with any outstanding business related to the liquidation;
- (iv) to pay any overdue tax together with any tax arising during the liquidation process;
- (v) to settle the company's financial claims and liabilities;
- (vi) to handle the company's remaining assets after its debts have been paid off; and
- (vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to the shares held by them. The company shall

continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before settlements are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to perform their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their wilful or material default.

Liquidation of a company declaring bankruptcy according to laws shall be processed in accordance with the laws on corporate bankruptcy.

#### **Overseas listing**

Pursuant to the Overseas Listing Trial Measures, if a PRC domestic company submits an initial public offering application to an overseas regulatory authority or an overseas stock exchange, the issuer shall file with the CSRC within three business days after submitting the application.

#### **Loss of share certificates**

If the share certificate(s) is either lost, stolen or destroyed, a shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for a declaration that such certificate(s) will no longer be valid. After such declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

**Suspension and termination of listing**

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Pursuant to the Overseas Listing Trial Measures, in the case of voluntary or mandatory termination of listing, the issuer shall report the specific situation to the CSRC within three business days from the date of the occurrence and announcement of the relevant event.

**Merger and division**

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, demand the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to such division shall be jointly borne by the separated companies.

**The PRC Securities Law and Regulations**

The PRC has promulgated a number of regulations that relate to the issuance and trading of our shares and disclosure of information. In October 1992, the State Council established the Securities Committee (國務院證券委員會) and the CSRC. The Securities Committee (國務院證券委員會) is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee (國務院證券委員會) and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. On 29 March 1998, the State Council consolidated the aforementioned two departments and reformed the CSRC.

On 22 April 1993, the Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) were promulgated by the State Council to govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settling and transfer of listed equity securities, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations principally govern the issuance, subscription, trading and declaration of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on 1 July 1999 and was revised as at 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles regulating, among other matters, the issuance and trading of securities, takeovers of listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises must comply with the relevant regulations of the State Council to, directly or indirectly, issue securities or lists its securities to be traded outside the PRC. Currently, the issuance and trading of foreign issued shares (including H share) are principally governed by the rules and regulations promulgated by the State Council and the CSRC.

On 10 August 2023, the CSRC promulgated the Guidance of H-share Companies Applying for “Full Circulation” Business of Unlisted Shares in China ([2023] No. 50) (H股公司境內未上市股份申請“全流通”業務指引), which came into effect on the same day. This provision is to regulate the listing and circulation (hereinafter referred to as “**Full Circulation**”) of unlisted domestic shares of H-share companies listed on the Hong Kong Stock Exchange (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares issued in China after overseas listing and unlisted shares held by foreign shareholders) on the Stock Exchange. Subject to compliance with relevant laws and regulations, as well as the policy requirements of state-owned assets management, foreign investment and industry regulation, the holders of unlisted domestic shares may independently determine the number and proportion of shares for which an application will be filed for circulation, and entrust H-share companies to file with the CSRC. Unlisted domestic joint-stock limited companies may file with the CSRC for “Full Circulation” simultaneously at the time of its overseas initial public offering and listing.

**Arbitration and enforcement of arbitral awards**

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the “**Arbitration Law**”) was passed on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organisations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association (中國仲裁協會) of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case, unless the arbitration agreement is null and void.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award made by the arbitration body shall be final and conclusive and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. The people’s court shall enforce the arbitral award upon receipt of the application. A people’s court may refuse to enforce an arbitral award made by an arbitration tribunal after verification by collegial bench formed by the people’s court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

A party seeking to enforce an arbitral award of PRC Arbitration Tribunal against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or participated in by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約, the “**New York Convention**”) adopted on 10 June 1958 pursuant to a resolution passed by the SCNPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the arbitration for enforcement is made. At the time of the PRC’s accession to the New York Convention, the SCNPC declared that (i) the New York Convention will only be applied to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排) promulgated by the Supreme People's Court on 24 January 2000 and became effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排) (Articles 1 and 4 became effective on 27 November 2020, and Articles 2 and 3 became effective on 19 May 2021) promulgated on 26 November 2020, the courts of Hong Kong agree to enforce the awards made pursuant to the Arbitration Law by the arbitral authorities in the Mainland (the list to be supplied by the Legislative Affairs Office of the State Council (國務院法制辦公室) through the Hong Kong and Macao Affairs Office of the State Council (國務院港澳事務辦公室)) and the people's courts of the Mainland agree to enforce the awards made in the Hong Kong pursuant to the Arbitration Ordinance of the Hong Kong. If the people's courts of the Mainland find that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the courts of Hong Kong decide that the enforcement of the arbitral awards in Hong Kong will be against public policies of Hong Kong, the awards may not be enforced.

#### **Judicial judgement and enforcement**

According to the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) promulgated by the Supreme People's Court on 3 July 2008 and implemented on 1 August 2008, in the case of final and enforceable judgement with payment requirement, made by the court of China and the court of Hong Kong in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the people's court of China or the court of Hong Kong for recognition and enforcement of such judgement based on this arrangement. "Written jurisdiction agreement" refers to a written agreement between the parties concerned giving the exclusive jurisdiction of either the people's court of China or the court of Hong Kong in order to resolve dispute relating to particular legal relation occurred or likely to occur. Therefore, the party concerned may apply to the court of China or the court of Hong Kong to recognise and enforce the final judgement made in China or Hong Kong that meet certain conditions of the aforementioned regulations. On 18 January 2019, the Supreme People's Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a written jurisdiction agreement for bilateral recognition and enforcement. The New Arrangement came into effect on 29 January 2024, after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement



supersedes the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administration Region Pursuant to Agreed Jurisdiction Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排).

### **Summary of material differences between Hong Kong and PRC company laws**

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, and supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited company established in the PRC and seek to list its shares on the Stock Exchange, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

#### ***Corporate existence***

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

#### ***Share capital***

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the company has increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalising its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorised capital no longer applies to a Hong Kong company formed on or after 3 March 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital. And the registered capital is our share capital in issue. Any increase in our registered capital must be approved/filed by its shareholders' general meeting and the relevant PRC government and regulatory authorities (if applicable).

Under the PRC Securities Law, the listing application shall comply with the requirements of the listing rules of the stock exchange. The Hong Kong law does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

***Restrictions on shareholding and transfer of shares***

Generally, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors as permitted by laws and regulations.

Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares held by them in that company, and the shares they held in that company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set out other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the company to issue additional Shares within six months; and (ii) 12-month lockup on controlling shareholders' disposal of Shares, after listing.



***Notice of shareholders' meetings***

Under the PRC Company Law, notice of a shareholder's general meeting must be given not less than twenty (20) days before the meeting, whereas notice of an extraordinary general meeting must be given not less than fifteen (15) days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least thirty (30) days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.

***Quorum for shareholders' meetings***

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

***Voting at shareholders' meetings***

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to the articles of association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and (ii) a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

***Modification of class rights***

The PRC Company Law makes no specific provision relating to modification of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting; (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class; or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

***Directors, senior management and supervisors***

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

***Derivative action by minority shareholders***

Under Hong Kong company law, a shareholder may, with the leave of the court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate fiduciary duties, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates their fiduciary duties, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

***Minority shareholder protection***

Under the Hong Kong law, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order to wind up the company or supervise the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operations or management of the company experience(s) any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

***Financial disclosure***

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than twenty one (21) days before such meeting.

According to the PRC Company Law, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law.

***Information on directors and shareholders***

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

***Receiving agent***

Under the PRC Company Law and the Hong Kong law, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC Civil Code, the limitation period is three years.

***Corporate reorganisation***

Pursuant to the PRC Company Law, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

***Mandatory transfers***

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

***Remedies of a company***

Under the PRC Company Law, if a director, supervisor or the management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or the management should be responsible to the company for such damages.

The Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

***Dividends***

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under the Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC law, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

***Fiduciary duties***

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

***Closure of register of shareholders***

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year. As required by the PRC Company Law, the name and address of the transferee should be registered in the shareholders' registers upon transfer of the bearer shares. No changes may be made to the aforesaid shareholders' registers within twenty (20) days prior to a shareholders' general meeting or five (5) days prior to the benchmark date set by the company for the purpose of distribution of dividends. But if it is otherwise prescribed in the laws with respect to the registration of change to the register of shareholders of listed companies, then the laws shall apply.

*This appendix contains a summary of the main provisions of the Articles of Association of our Company adopted on December 21 2024, which will take effect from the date of the listing of H Shares on the Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of our Company, so it may not contain all the information that is important to potential investors.*

## **SHARES AND REGISTERED CAPITAL**

The Shares shall be presented by share certificates. The Shares issued by the Company shall be denominated in RMB. The par value per Share is RMB1.

The Shares shall be issued in a transparent, fair and just manner, and shall rank pari passu in all respects with the Shares of the same class.

The terms and price of each of the Share of the same class in the same issuance shall be the same, and every Share subscribed by subscribers in the same issuance shall have the same price.

The Company may offer Shares to domestic investors and foreign investors, subject to the consent of the Stock Exchange and filing with the securities regulatory authorities under the State Council. A holder of unlisted shares and a holder of H shares are both holders of ordinary shares and shall have the same rights and obligations.

## **INCREASE, DECREASE AND REPURCHASE OF SHARES**

### **(1) Increase of Shares**

In accordance with laws and regulations, the Company may, based on its operating and development needs and the resolution of a Shareholders' general meeting, increase its capital in the following manners:

- (1) public offering of Shares;
- (2) private offering of Shares;
- (3) bonus issue of Shares to existing Shareholders;
- (4) transfer of reserve fund into capital; or
- (5) other methods permitted by laws and administrative regulations and approved by the CSRC.

**(2) Decrease of Shares**

The Company may reduce its registered capital in accordance with the PRC Company Law, other relevant regulations and the Articles of Association.

**(3) Repurchase of Shares**

Except under the following circumstances, the Company may not repurchase its Shares:

- (1) To reduce the registered capital of the Company;
- (2) To merger with other companies that hold shares of the Company;
- (3) To grant the shares for employee shareholding scheme or as equity incentive;
- (4) Where shareholders require the Company to purchase their shares due to their disagreement on the merger or division resolution passed by a shareholders' general meeting;
- (5) To use the shares in the conversion of the convertible corporate bonds issued by the listed Company; or
- (6) To preserve the Company's value and Shareholders' interests as necessary.

The Company may acquire its own Shares through open and centralised trading, or in any other manner permitted by laws, administrative regulations, the CSRC and the Stock Exchange. Where the Company acquires its own Shares under the circumstances set forth in sub-paragraphs (3), (5) and (6) above, it shall do so through open and centralised trading.

Any acquisition by the Company of its shares under any of the circumstances set forth in sub-paragraphs (1) and (2) shall be subject to a resolution of a Shareholders' general meeting; while any acquisition by the Company of its shares under the circumstances set forth in sub-paragraphs (3), (5) and (6) shall, pursuant to the Articles of Association or the authorisation of a Shareholders' general meeting, be subject to a resolution of a meeting of the Board of Directors at which two-thirds or more of the Directors are present.

The Shares acquired by the Company shall, under the circumstance set forth in sub-paragraph (1), be cancelled within 10 days from the date of acquisition; while under the circumstances set forth in sub-paragraph (2) or (4) shall be disposed of or cancelled within six months; and while under the circumstances set forth in sub-paragraph (3), (5) or (6), aggregately not exceed 10% of its total issued shares and shall be disposed of or cancelled within three years.

**(4) Transfer of Shares**

Unless otherwise specified in laws and regulations and by the securities regulatory authority and stock exchange at the places where the Shares of the Company are listed, the Shares of the Company can be freely transferred in accordance with the laws.

The transfer of H Shares shall be registered with the securities registrar in Hong Kong designated by the Company. If the listing rules of the place where the Company's securities are listed or relevant regulations of the securities regulatory authority of the place of listing provide otherwise for the transfer restrictions of the Company's overseas listed Shares (including H Shares), such regulations shall prevail.

The Company shall not accept shares of the Company as the subject of any pledge.

The shares of the Company held by the promoters shall not be transferred within one year after the incorporation of the Company. Shares issued before the public offering of the Company shall not be transferred within one year from the date on which the Company's Shares are listed and traded on the stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of the total number of their shares in the Company per annum during their terms of office determined at the time of assuming office. The shares of the Company held shall not be transferred within one year from the date when the Company's shares are listed and traded. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

If the shares are pledged within the term of limited transfer prescribed by relevant laws and administrative regulations, the pledgee may not exercise the pledge right within the term of limited transfer.

If a shareholder holding 5% or more of the shares of the Company, director, supervisor or senior management of the Company sells the shares or other securities with an equity nature of the Company within six months after buying those shares, or buys the shares within six months after selling those shares, all the gains arising thereof shall belong to the Company, and such gains shall be collected by the Board of the Company. However, exceptions shall be made for (1) any holding 5% or more of the shares of the Company by any securities company as a result of its purchase of remaining shares sold under an underwriting obligation or other circumstances stipulated by the CSRC; (2) a shareholder who is a recognized clearing house (or its proxy) as defined in the relevant regulations in force under the laws of Hong Kong; and (3) other circumstance as prescribed by the CSRC.

Shares or other securities in the nature of equity held by Directors, Supervisors, senior management and Shareholders of natural persons referred to in the preceding paragraph include those held by their spouses, parents and children and those held using the accounts of others.

If the Board of Directors fails to comply with the requirements in accordance with the preceding paragraph, a Shareholder shall have the right to request the Board of Directors to effect the same within thirty days. If the Board of Directors fails to do so within the said time limit, a Shareholder shall have the right to initiate proceedings in the People's Court directly in his/her own name for the interests of the Company.

If the Board of Directors fails to comply with the requirements in accordance with the preceding paragraph, the responsible Director(s) shall assume joint and several liability in accordance with the law.



**SHAREHOLDERS AND GENERAL MEETINGS****(1) Register of Shareholders**

The Company shall establish a register of Shareholders based on the certificates provided by the securities registrar, and the register of shareholders shall be sufficient evidence of the Shareholders' shareholdings in the Company.

When the Company convenes a general meeting, distributes dividends, commences liquidation or engages in other acts that require the identification of Shareholders, the Board or the convener of the general meeting shall determine the record date of the Shareholders' registration. The Shareholders whose names appear on the register of Shareholders after the close of market trading on the record date shall be the Shareholder entitled to the relevant rights and interests.

**(2) Rights and obligations of Shareholders**

The Shareholders of the Company shall enjoy the following rights:

- (1) to receive dividends and other distributions in proportion to their shareholdings;
- (2) to request, convene preside over, attend or appoint a Shareholder's proxy to attend the general meeting of Shareholders and to exercise voting rights;
- (3) to supervise the Company's operations, to present proposals and to raise enquiries;
- (4) to transfer, grant or pledge shares held by them in accordance with the laws, administrative regulations as well as the Articles of Association;
- (5) to inspect these Articles of Association, the register of Shareholders, corporate bond stubs, minutes of general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee, and financial and accounting reports;
- (6) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the shareholdings;
- (7) with respect to Shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company, the right to demand the Company to buy back their Shares;
- (8) other rights stipulated by laws, administrative regulations, departmental rules or these Articles of Association; and

- (9) Hong Kong Securities Clearing Company Limited is entitled to appoint proxies or its legal representatives to attend general meetings and such proxies or legal representatives shall have the same statutory rights as other Shareholders, including the right to speak and vote.

The Shareholders of the Company shall assume the following obligations:

- (1) to comply with laws, regulations and the Articles of Association;
- (2) to pay subscription funds based on the number of shares subscribed and the method of subscription;
- (3) to be accountable to the Company to the extent of their shareholding;
- (4) not to abuse Shareholder's rights to prejudice the interests of the Company or other Shareholders; not to abuse the status of the Company as an independent legal person or the limited liability of a Shareholder to prejudice the interests of the creditors of the Company; and
- (5) to fulfil other obligations imposed by laws, regulations and the Articles of Association.

If a Shareholder abuses his/her Shareholder rights, thereby causing the Company or other Shareholders to sustain a loss, he/she shall be held liable for damages in accordance with the laws. If a Shareholder abuses the independent status of the Company as a legal person and limited liability of Shareholders to evade a debt, thereby materially harming the interests of a creditor of the Company, he/she shall bear joint and several liability for the debt of the Company.

**(3) Restrictions on rights of the controlling Shareholders**

The Shareholders holding 5% or more of the Company's Shares with voting rights shall, in the event of a pledge of the Shares held by them, report to the Company in writing from the date of occurrence of such fact.

The controlling Shareholder and the de facto controller of the Company shall not take advantage of their connected relationships to harm the interests of the Company. They shall be held liable for damages if, as a result of violating such provisions, they cause the Company to sustain a loss.

The controlling Shareholder and the de facto controller of the Company bear a fiduciary duty toward the Company and Shareholders of H Shares of the Company. The controlling Shareholder shall exercise its rights as an investor in strict accordance with the laws. It shall not harm the lawful rights and interests of the Company and other Shareholders by means of profit distribution, asset restructuring, external investment, appropriation of funds, loan security or other methods, or damage the interests of the Company and Shareholders of H Shares by means of its controlling position.

**(4) General rules for the Shareholders' general meeting**

The Shareholders' general meeting is the organ of authority of the Company, which may exercises the following functions and powers in accordance with the law:

- (1) to decide on the Company's operation objectives and investment plans;
- (2) to elect or change the Directors and the Supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of Directors and the Supervisors;
- (3) to review and approve the reports of the Board;
- (4) to review and approve the reports of the supervisory committee;
- (5) to review and approve the Company's annual financial budgets and final accounts;
- (6) to review and approve the Company's profit distribution proposals and loss recovery proposals;
- (7) to decide on any increase or reduction of the Company's registered capital;
- (8) to decide on the issue of corporate bonds;
- (9) to decide on merger, division, dissolution or liquidation of the Company, or change of the corporate form of the Company;
- (10) to amend the Articles of Association;
- (11) to decide to engage or dismiss the accountant firm as the auditor of the Company;
- (12) to review and approve the guarantee matters stipulated in Article 45 of the Articles of Association;
- (13) to review matters that the Company purchased and sold major assets within one year exceeding 30% of the Company's latest audited total assets;
- (14) to view and approve the change in the use of proceeds from raising;
- (15) to review the share incentive schemes and employee shareholding scheme; and
- (16) to consider other matters that should be decided by the general meeting of Shareholders as provided for by laws, administrative regulations, departmental rules, the listing rules of the place where the Company's securities are listed or the relevant regulations of the securities regulatory authorities of the place of listing or the Articles of Association.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every financial year within six months after the end of the previous financial year.

Extraordinary meetings shall be held from time to time, and the Company shall convene an extraordinary general meeting within two months from the occurrence of any of the following events:

- (1) when the number of Directors is less than the quorum specified in the PRC Company Law or two-thirds (i.e. six (6)) of the total number specified in the Articles of Association;
- (2) the unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;
- (3) when Shareholder(s) severally or jointly holding 10% or more of the Company's shares request(s) to convene such meeting in writing;
- (4) when deemed necessary by the Board of Directors;
- (5) when proposed by the Supervisory Committee;
- (6) when proposed by at least half of independent non-executive Directors; or
- (7) other circumstances stipulated by laws, administrative regulations, department rules or the Articles of Association.

**(5) Call of general meeting**

Unless otherwise provided in these Articles of Association, the general meeting shall be convened by the Board of Directors.

The independent non-executive Directors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting. With respect to the proposal of the independent non-executive Directors requesting to convene an extraordinary general meeting, the Board of Directors shall, in accordance with the provisions of laws, administrative regulations and theses articles of association, give a written reply agreeing or disagreeing with such proposal within ten days after receiving the proposal. If the Board of Directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the resolution of Board of Directors is made; if the Board of Directors does not agree, it shall state the reasons for the decision. If it is required to make an announcement in accordance with the regulations of the stock exchange where the Company's securities are listed or of the securities regulatory authority, such announcement shall be made accordingly.

The Supervisory Committee shall have the right to propose to the Board of Directors to convene an extraordinary general meeting and shall submit the proposal in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, give a written reply agreeing or disagreeing with such proposal within ten days after receiving the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the resolution of Board of Directors is made and any changes to the original proposal contained in the notice shall be subject to the consent of the Supervisory Committee.

If the Board of Directors does not agree to convene such meeting, or fails to give a response within ten days after receipt of the proposal, the Board shall be deemed to be unable to or have failed to perform its duty to convene the general meeting, and the Supervisory Committee shall have the right to convene and preside over such meeting on its own.

The Shareholder(s) individually or jointly holding at least 10% Shares with voting rights of the Company may propose an extraordinary general meeting to the Board of Directors, and shall submit their request in writing to the Board of Directors. Within ten days of receipt of the request, the Board of Directors shall give a written reply agreeing or disagreeing with such proposal in accordance with laws, administrative regulations and the Articles of Association.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors and any changes to the original proposal contained in the notice shall be subject to the consent of the proposing Shareholder(s).

If the Board of Directors does not agree to convene such meeting, or fails to give a response within ten days after receipt of the proposal, the Shareholder(s) individually or jointly holding at least 10% Shares with voting rights of the Company may propose an extraordinary general meeting in writing to the Supervisory Committee.

If the Supervisory Committee agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after receipt of the proposal and any changes to the original proposal contained in the notice shall be subject to the consent of the relevant Shareholder(s).

If the Supervisory Committee fails to send a notice of general meeting before deadline, the Supervisory Committee shall be deemed to be unable to convene and preside over the meeting, the Shareholder(s) holding 10% or more of the voting Shares of the Company separately or in aggregate for 90 or more consecutive days may convene and preside over a meeting on its/their own.

To call a general meeting on its/their own, the Supervisory Committee or Shareholder(s) shall send a notice in writing to the Board of Directors.

**(6) Motion and notice of general meeting**

At the general meeting, the Board of Directors, the Supervisory Committee and the Shareholder(s) individually or jointly holding at least 1% Shares of the Company may propose a motion to the Company.

Shareholders who individually or collectively hold at least 1% of the Company's Shares may put forward a provisional proposal and submit it in writing to the convenor ten days prior to the convening of the Shareholders' meeting. The convenor shall issue a supplementary notice of the general meeting with the contents of the provisional proposal within two days after receiving the proposal. If an announcement is required pursuant to the regulations of the stock exchange or securities regulatory authority where the Company's securities are listed, such announcement shall be made accordingly.

Subject to the above provisions, the convenor after sending a notice of meeting shall not modify the motion listed in the notice of meeting or add a new motion.

The convenor shall notify the Shareholders in writing 20 days prior to the annual general meeting, and shall notify the Shareholders in writing 15 days prior to the extraordinary general meeting. If an announcement is required pursuant to the regulations of the stock exchange or securities regulatory authority where the Company's securities are listed, such announcement shall be made accordingly.

**(7) Convention of general meeting**

All ordinary shareholders whose names appear in the register of shareholders on the record date or their proxies are entitled to attend the general meeting and exercise their voting rights in accordance with relevant laws, regulations and the Articles of Association. The proxy does not need to be a shareholder. If the shareholder is a recognized clearing house (or its proxy) as defined in the relevant regulations of Hong Kong enacted from time to time, it may authorize its representative or person(s) as it deems fit to act as its representative at any general meeting.

Shareholders may attend the general meeting in person or appoint a proxy to attend and vote on their behalf. If the shareholder is a recognized clearing house (or its proxy) as defined in the relevant regulations in force from time to time under the laws of Hong Kong, it may authorize one or more person as it deems fit to act as its proxy or representative at any general meeting; provided that if two or more persons are so authorized, the power of attorney shall specify the number and class of shares in respect of which such person is so authorized. A person so authorized shall be entitled to exercise the same powers on behalf of that clearing house (or its proxy) (without needing to present any share certificate, notarized authorization and/or any further evidence to prove that he/she has been duly authorized) and as if it were an individual shareholder of the Company.

A Shareholder shall present its personal identity card or other valid certificate of identity, in order to attend the meeting in person; a proxy of the Shareholder attending the meeting shall present the valid identity certificate of the proxy and the proxy form issued by the appointing Shareholder.

Shareholders of legal persons/other organizations shall attend the meeting by the legal representative/managing partner/representative/person in charge appointed by the managing partner, or the proxy authorized and appointed by the aforementioned person(s) or the resolution of the board of directors/council/other decision-making bodies stipulated in the articles of association of the organization. If the legal representative/managing partner/representative/person in charge appointed by the managing partner attends the meeting, he/she shall present his/her ID card, a valid certificate proving that he/she has the qualification of legal representative/managing partner/representative/person in charge appointed by the managing partner appointing a representative/responsible person. If a proxy is appointed to attend the meeting, the proxy shall present his/her identity card, a written power of attorney issued in accordance with the law by the legal representative/managing partner/representative/person in charge appointed by the managing partner of the shareholders of legal persons/other organizations, or by its board of directors/council/other decision-making body stipulated in the articles of association of the legal person/other organization.

The proxy form issued by a Shareholder for a general meeting shall specify:

- (1) the name of the proxy;
- (2) whether there are voting rights;
- (3) instructions for voting for, against or abstaining from voting on each matter to be considered on the agenda of the general meeting;
- (4) the date and validity of the proxy form; and
- (5) the signature (or seal) of the appointing Shareholder; if the appointing Shareholder is a legal person/other organisation, the seal of the legal person/other organisation shall be affixed.

The proxy form shall contain a statement that in the absence of instructions from the Shareholder, his/her proxy may vote at his/her discretion.

The proxy form shall be deposited at the domicile of the Company or such other place as the notice of the general meeting may specify not less than twenty-four hours prior to convening of the general meeting at which the relevant matters will be voted on, or twenty-four hours before the designated voting time. If the proxy voting form is signed by any other person authorised by the appointing Shareholder, such proxy form or other authorisation documents shall be notarised to be effective. The notarised proxy form or other authorisation documents, together with the proxy voting form, shall be maintained in the Company domicile or other place specified in the notice of meeting.

If the appointing Shareholder is a legal person, then its proxy to attend the general meeting shall be the legal representative, or any other person authorised by the Board of Directors or other decision-making body.

The general meeting shall be chaired by the chairman of the Board of Directors. When the chairman is unable to perform his duties or fails to perform his duties, the vice chairman (if there are two or more vice chairman of the Company, then the vice chairman elected jointly by the majority of directors) shall preside over the meeting. When the vice chairman is unable to perform his duties or fails to perform his duties, one of the present directors jointly elected by the majority of Directors shall preside instead.

A general meeting called by the Supervisory Committee on its own shall be presided by the chairman of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is unable or fails to perform his duties, the vice chairman of the Supervisory Committee shall preside, and in the event that the vice chairman of the Supervisory Committee is unable to perform his/her duties or fails to perform his/her duties, a supervisor jointly elected by the majority of supervisors shall preside instead.

A general meeting of Shareholders called by the Shareholders on their own shall be presided over by a representative elected by the convener. If the convener fails to attend the general meeting, with the consent of the Shareholders holding a majority vote of voting rights present at the general meeting, one person will be elected to serve as the chair of the meeting.

If the chairman of a general meeting violates the Articles of Association and the rules of procedure and causes the general meeting to be unable to continue, the general meeting may elect a person to act as the presiding officer and continue the meeting with the consent of the Shareholders present at the general meeting holding a majority vote of voting rights.

**(8) Voting and resolutions at the general meeting**

Resolutions of Shareholders at the general meeting shall take the forms of ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by an attending Shareholders (including their proxies) holding a majority vote of the voting rights.

Special resolution at a general meeting shall be adopted by attending Shareholders (including their proxies) holding at least two-thirds of the voting rights.

The following matters shall be passed by an ordinary resolution at a general meeting of Shareholders:

- (1) reports on the work of the Board of Directors and the Supervisory Committee;
- (2) profit distribution plans and loss recovery plans drawn up by the Board of Directors;
- (3) the appointment and removal of members of the Board of Directors and the Supervisory Committee and the method of their remuneration and payment;
- (4) the annual budget and final accounts of the Company;
- (5) the annual reports of the Company;
- (6) Issuance of corporate bonds;
- (7) repurchase of Shares of the Company (unless otherwise provided for in the Articles of Association); and
- (8) matters other than those prescribed by laws, administrative regulations or the Articles of Association which shall be adopted by special resolutions.



The following matters shall be passed by a special resolution at a general meeting:

- (1) the increase or reduction of the Company's registered capital;
- (2) the separation, division, merger, division, dissolution and liquidation of the Company;
- (3) amendments to the Articles of Association of the Company;
- (4) the purchase or sale of material asset(s) or the provision of guarantee(s) by the Company within one year with amount(s) exceeding 30% of the Company's latest audited total assets;
- (5) equity incentive plans;
- (6) change in the corporate form of the Company; or
- (7) other matters stipulated by laws, administrative regulations or these Articles of Association, and any other matters which the general meeting may determine by ordinary resolution to have a material impact on the Company and require to be adopted by a special resolution.

No voting rights shall be attached to the shares held by the Company, and such shares shall not be counted among the total number of voting shares held by the Shareholders present at a general meeting.

## **BOARD OF DIRECTORS**

### **(1) Directors**

Directors shall be elected and removed by a general meeting and may be dismissed by an ordinary resolution at a general meeting before the expiry of their term, which shall come into effect from the date on which such resolution is made. Directors shall have a term of three years, which can be renewable upon expiry if re-elected.

The term of office of the Directors shall commence from the date of taking office and end upon the expiration of the term of the current session of the Board of Directors. Upon expiry of a director, if new director is not elected, then the expiring director shall continue to perform its duties before the new director takes office under the laws, administrative regulations, departmental rules and the Articles of Association.

Subject to the mandatory provisions of the PRC Company Law and the relevant regulations and standardised documents of the CSRC, if the listing rules of the stock exchange where the Company's securities are listed provide otherwise in respect of the mechanism for the election of directors (including the mechanism for the appointment of directors on a provisional basis), such provisions shall prevail, and in the event that any person appointed by

the Board of Directors to be a director to fill a temporary vacancy or a newly added seat in the Board of Directors, he/she shall hold office until the first annual general meeting of the Company following his or her appointment and shall then be eligible for re-election.

The general manager and senior management members may concurrently serve as Directors, provided that the total number of Directors who concurrently serve as the general manager and senior management members shall not be more than half of the total number of Directors.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following loyal duties to the Company:

- (1) to take measures to avoid conflicts between their own interests and the interests of the Company, and shall not make use of their positions to gain undue advantages;
- (2) not to abuse their authority of office to accept bribes or other illegal income and shall not misappropriate the properties of the Company;
- (3) not to misappropriate funds of the Company;
- (4) not to open accounts in his/her own name or other names for the deposit of the assets or funds of the Company;
- (5) not to lend the funds of the Company to others or use the properties of the Company to provide guarantee for others without the consent of the general meeting or the Board of Directors in violation of the Articles of Association;
- (6) not to enter into contracts or carry out transactions with the Company in violation of the Articles of Association or without the consent of the general meeting;
- (7) not to, without the consent of the general meeting, abuse his/her position to appropriate the business opportunities for himself/herself or other persons which should otherwise belong to the Company, or operate businesses similar to those of the Company for himself/herself or other persons;
- (8) not to misappropriate the commission obtained from transactions entered into by the Company;
- (9) not to disclose confidential information of the Company without permission;
- (10) not to use his/her connected relations with the Company to prejudice the interests of the Company; and
- (11) other loyal duties as required by laws, administrative regulations, departmental rules and the Articles of Association.

Any gain arising from the breach of the preceding article by Directors shall belong to the Company. Such Director shall be liable for compensation for any loss of the Company arising therefrom.

A Director shall observe laws, administrative regulations and the Articles of Association, meet the requirements for skills, care and diligence, and have the following duties of diligence to the Company:

- (1) to exercise the reasonable care that may be expected of a manager normally in performing his/her duties in the best interests of the Company;
- (2) exercising the power granted by the Company with prudence, conscientiousness and diligence and acting on the premise of the overall interests of the Company, so as to ensure that the business operations of the Company are in compliance with laws, regulations and economic policies of China and business operations of the Company are within the scope under its business licence;
- (3) treating all Shareholders equally;
- (4) keeping abreast of the Company's business operation and management status;
- (5) signing a written confirmation on the Company's periodic reports, and ensure that the information disclosed by the Company is true, accurate and complete;
- (6) Provide relevant information and materials to the Supervisory Committee truthfully, and shall not hinder supervisors or the Supervisory Committee from exercising their functions and powers; and
- (7) fulfilling other obligations of diligence as stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

A Director who fails to attend two consecutive meetings of the Board of Directors in person or by proxy shall be deemed as unable to perform his/her duties. The Board of Directors shall propose to the general meetings for the removal of such Director.

**(2) Board of Directors**

The Board of Directors consists of nine Directors, including at least three independent non-executive Directors, at least one of whom must possess appropriate professional qualifications or have appropriate accounting or related financial management expertise. At least one of the Company's independent non-executive Directors is normally resident in Hong Kong. There shall be a chairman of the Board. There may be several vice-chairmen.

The Board of Directors shall exercise the following powers and duties:

- (1) to convene a general meeting and to report to the general meeting;
- (2) to implement the resolutions of the general meeting;
- (3) to formulate the business plans and investment plans of the Company;
- (4) to formulate the annual financial budget and final accounts of the Company;
- (5) to formulate the Company's profit distribution plan and the loss recovery plan;
- (6) to formulate the plans for the Company to increase or reduce the registered capital, issuing bonds, corporate bonds, other securities and listing;
- (7) to formulate proposals for major acquisitions of the Company, acquisition of the Company's shares or merger, separation, dissolution or change of corporate form of the Company;
- (8) within the authorisation of the general meeting, to decide on the Company's foreign investments, acquisition or sale of assets, external guarantees, entrustment of financial management, asset pledges, connected transactions/associated transactions or donations;
- (9) to decide on the setting of the internal management bodies of the Company;
- (10) to appoint or dismiss the deputy general manager, the chief financial officer and other senior management of the Company according to the nomination of the general manager, and to decide on their remuneration, and matters relating to rewards and punishments and to appoint or remove senior management members such as the deputy general managers, chief financial officer of the Company based on the recommendations of the general manager, and to decide on their remuneration as well as matters relating to rewards and penalty;
- (11) to establish a basic management system of the Company;
- (12) to formulate proposals for amendments to the Articles of Association;
- (13) to manage corporate disclosure matters;
- (14) to propose to the general meeting to engage or replace the accounting firm as the auditor of the Company;
- (15) to listen to the work report of the general manager of the Company and inspect the work of the general manager; and

- (16) other powers and functions conferred by laws, administrative regulations, departmental rules or the Articles of Association.

The Board of Directors shall have a chairman and may have vice-chairmen. The chairman and vice-chairmen shall be Directors of the Company, and shall be elected by the Board of Directors by more than half of all the Directors.

The chairman of the Board of Directors shall have the following responsibilities:

- (1) to preside over the general meetings, and to convene and preside over the Board meetings;
- (2) to supervise and examine the implementation of the resolutions of the Board of Directors; and
- (3) to perform other duties assigned by the Board of Directors.

Vice-chairmen of the Company shall assist the chairman in his work. If the chairman is unable or fails to perform his duties, one of the vice-chairmen shall perform his duties (if the Company has two or more vice chairmen, such vice chairman jointly elected by more than half of the directors shall perform his duties). If the vice chairman is unable or fails to perform his duties, a director jointly elected by more than half of the directors shall perform his duties.

A meeting of the Board of Directors shall be held with the attendance of a majority of the Directors. Resolutions made by the Board of Directors shall be passed by a majority of all Directors.

When voting on the resolutions of the Board of Directors, each director shall have one vote.

#### **GENERAL MANAGER AND OTHER SENIOR MANAGEMENT**

The Company has a general manager, who is appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers, the specific number of which shall be determined by the Board of Directors in accordance with the operating conditions of the Company and the proposal of the general manager. The deputy general managers shall be appointed or dismissed by the Board of Directors.

The deputy general managers, chief financial officer, and other senior management of the Company are nominated by the general manager and appointed by the Board of Directors. The secretary to the Board of Directors is nominated by the chairman of the Board of Directors and appointed by the Board of Directors.

The senior management of the Company shall include the general manager, deputy general managers, chief financial officer, secretary to the Board of Directors and other persons recognised as senior management by the Board of Directors.

The term of office of the general manager shall be three years and may be reappointed upon re-election.

The general manager shall be accountable to the Board of Directors and exercises the following powers:

- (1) to preside over the Company's production, operations and management, organise the implementation of Board's resolutions, and report to the Board;
- (2) to organise the Company's annual operation plans and investment schemes;
- (3) to propose for the establishment of the Company's internal management structure;
- (4) to propose Company's fundamental management system;
- (5) to formulate specific rules and regulations of the Company;
- (6) to propose to the Board the appointment or dismissal of the deputy general managers, chief financial officer and other senior managements of the Company as determined by the Board of Directors by resolution;
- (7) to appoint or dismiss any management officer other than those required to be appointed or dismissed by the Board of Directors; and
- (8) other functions and powers granted under these Articles of Association or the Board of Directors.

The general manager shall be present at Board meetings.

## **SUPERVISORY COMMITTEE**

### **(1) Supervisors**

Directors, the general manager and other senior management shall not concurrently serve as supervisors of the Company.

Supervisors shall abide by laws, administrative regulations and the Articles of Association, and shall perform their obligations faithfully and diligently. They shall not abuse their authority of office to accept bribes or other illegal income and shall not misappropriate the properties of the Company.

The term of office of a supervisor shall be three years. Upon expiration of the term of office, supervisors may be reappointed upon re-election.

Supervisors shall not take advantage of their connected relationships/related relationships to jeopardise the interests of the Company and shall be liable for damages of the Company resulting therefrom.

If the Company suffers losses due to the violation of laws, administrative regulations, departmental rules and the Articles of Association by any supervisor during the performance of his/her duties, the supervisor shall be liable for compensation.

## **(2) Supervisory Committee**

The Company shall have a Supervisory Committee, which consists of three members. The Supervisory Committee has a chairman who shall be elected by a majority of all supervisors. The chairman of the Supervisory Committee shall convene and preside over the meetings of the Supervisory Committee; if the chairman of the Supervisory Committee is unable to perform his duties or fails to perform his duties, a supervisor selected by more than one-half of the supervisors shall convene and preside over the meetings of the Supervisory Committee.

The Supervisory Committee shall include representatives of Shareholders and an appropriate proportion of the employee representatives, of which not less than one-third shall be employee representatives of the Company. The Supervisory Committee includes an employee representative, who is elected by the employees of the Company through a democratic election such as an employee representative meeting.

The Supervisory Committee shall exercise the following powers in accordance with the law:

- (1) to review the regular reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;
- (2) to review the financial position of the Company;
- (3) to monitor the performance of duties by our Directors and senior management and propose removal of our Directors and senior management in the event of their non-compliance with the laws, regulations, our Articles of Association or resolutions passed by the general meeting;
- (4) to require Directors and senior management to correct their acts which are detrimental to the interest of the Company;

- (5) to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings in accordance with PRC Company Law, to convene and preside over the general meetings;
- (6) to propose motions to the general meeting;
- (7) to initiate proceedings against Directors and senior management in accordance with the PRC Company Law; and
- (8) to conduct investigation if there is any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, a law firm or other professional institutions to assist in their work at the expenses of the Company.

The Supervisory Committee shall hold at least one meeting in every six months. Supervisors may propose to convene an extraordinary Supervisory Committee meeting.

Resolutions made by the Supervisory Committee shall be passed by a majority of all supervisors.

## **FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDITING**

### **(1) Financial and accounting systems**

The Company shall establish the financial accounting system of the Company in accordance with the laws, administrative regulations and the provisions set by the relevant authority of the PRC.

The accounting year of the Company shall be consistent with the Gregorian calendar year, i.e. from 1 January to 31 December on the Gregorian calendar. The Company shall prepare an annual financial accounting report within four months from the end of each financial year and interim results or financial information within two months from the end of the first half of each financial year, which shall be reviewed and verified in accordance with the laws. The financial accounting report shall be prepared in accordance with the applicable laws and regulations.

The aforesaid annual financial accounting reports, interim results or financial information shall be prepared in accordance with relevant laws, administrative regulations and the regulations of the Hong Kong Stock Exchange.

### **(2) Internal auditing**

The Company shall adopt an internal auditing system and engage professional auditors to conduct internal auditing and supervision of its financial revenues and expenditures, and economic activities.



The internal auditing system of the Company and the duties of the auditors shall be approved by the Board of Directors. The person in charge of auditing shall be accountable to and report to the Board of Directors.

**(3) Engagement of accounting firm**

The Company shall engage an accounting firm that complies with the provisions of the Securities Law of the PRC to conduct auditing of accounting statements, verification of net assets and other related consulting services. The accounting firm so appointed shall hold office for one year and may be renewed. Where the stock exchange where the Company's securities are listed or the securities regulatory authority has other regulations on matters such as the selection or engagement period of the accounting firm, such regulations shall prevail.

**NOTICE AND ANNOUNCEMENT**

**(1) Notice**

The notices of the Company shall be delivered in the following manners (if the stock exchange where the securities of the company are listed or the securities regulatory authority provides otherwise, such provisions shall prevail):

- (1) by hand;
- (2) by post;
- (3) by public notice;
- (4) by telephone;
- (5) by SMS on cell phone;
- (6) by express mail;
- (7) by fax;
- (8) by email;
- (9) by means of WeChat and other mobile internet App platforms; or
- (10) other forms as provided for in the Articles of Association.

Notices given by the Company by way of announcements shall be deemed to be received by all parties concerned once published (if the stock exchange where the securities of the company are listed or the securities regulatory authority stipulates otherwise, such stipulations shall prevail).

**(2) Announcement**

The Board of Directors of the Company shall designate appropriate forms of media in Hong Kong and the Mainland (which may be the Company's official website, the internet platform provided by the Stock Exchange, financial news media or other media) as the media for the publishing the announcements and other information required to be disclosed by the Company.

**MERGER, DIVISION, INCREASE AND DECREASE OF CAPITAL, DISSOLUTION AND LIQUIDATION****(1) Merger, division, increase and decrease of capital**

A merger of the Company may be effected either by way of absorption or by the establishment of a new entity.

Merger by absorption refers to a company absorbing another company, in which the company being absorbed shall be dissolved. Merger by establishment refers to establishing a new company by merging two or more companies, whereby the merging parties shall be dissolved.

Where there is a division of the Company, its assets shall be divided accordingly and a balance sheet and a list of assets shall be prepared. The Company shall notify the creditors within ten days from the date of the resolution and publish an announcement in a regional or national newspaper designated by the Board of Directors or recognised by the company registration authority or the National Enterprise Credit Information Publicity System within 30 days.

In the event of a reduction in registered capital, the Company shall prepare a balance sheet and a list of assets.

The Company shall notify its creditors within ten days from the date of the resolution on the reduction of registered capital had been passed by the general meeting and shall publish an announcement in a regional or national newspaper designated by the Board of Directors or recognised by the company registration authority or the National Enterprise Credit Information Publicity System within 30 days. A creditor has the right, within 30 days from the receipt of such notice; or, for creditors who do not receive the notice, within 45 days of the date of the announcement, to demand the Company to pay its debts or to provide a guarantee for such debt(s).

The reduced registered capital of the Company shall not fall below the statutory minimum amount.

When the Company reduces its registered capital, it shall reduce its capital in proportion to the shares held by shareholders, unless otherwise provided by law or other resolution passed by the general meeting.

**(2) Dissolution and liquidation**

The Company shall be dissolved in any of the following circumstances:

- (1) the business term stipulated in the Articles of Association has expired or other circumstances for dissolution specified in the Articles of Association arise;
- (2) the general meeting has resolved to dissolve the Company by way of resolution;
- (3) the merger or division of the Company requires a dissolution;
- (4) the business licence is revoked or the Company is ordered to close down or is cancelled in accordance with the law;
- (5) the court in the PRC ordered to dissolve in accordance with the law;
- (6) if the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the Shareholders, and no solution can be found through any other means, the Shareholders holding 10% or more of the total voting rights of the Company may request the people's court to dissolve the Company; or
- (7) other cases of dissolution as stipulated by laws and administrative regulations.

When causes for the dissolution as stipulated in the preceding paragraph occur, it shall disclose the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

Where the Company is in the situation described in items (1) and (2) above and has not distributed any property to shareholders, it may continue to exist by amending the Articles of Association or a resolution passed by the general meeting.

The amendments to the Articles of Association in accordance with the provisions in the preceding article shall require the approval of at least two-thirds of the voting rights held by Shareholders attending the general meeting.

Where the Company is dissolved as a result of sub-paragraph above, it shall be liquidated. If the Directors are the liquidation obligors of the Company, they shall establish a liquidation committee within fifteen days after the causes for the dissolution arise and carry out liquidation. The liquidation committee shall comprise consist of the Directors, except as otherwise provided in the Articles of Association or unless the shareholders' meeting decides to elect another person. The Company shall be liquidated in accordance with the requirements stipulated in the sub-paragraph I of Article 191 of the Articles of Association. If the Company fails to set up the liquidation committee within the aforesaid period or fails to liquidate after establishing a liquidation committee, the interested parties may apply to the People's Court for appointment of relevant persons to form a liquidation committee so as to proceed with liquidation.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall publish at least three announcements in newspapers within 60 days in a regional or national newspaper designated by the liquidation committee or recognised by the company registration authority or the National Enterprise Credit Information Publicity System. The creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice or within 45 days from the date of the announcement if they have not received the notice.

A creditor declaring a claim shall state the matters to which the claim relates and provide supporting documents. The liquidation committee shall register the claim.

During the period of declaration of claims, the liquidation group shall not make any settlement to the creditors.

The liquidation committee shall formulate a liquidation plan after dealing with the Company's assets and compiling a balance sheet and a list of assets, and report it to a general meeting or the people's court for confirmation.

The remaining assets of the Company after paying the liquidation expenses, employees' wages, social insurance costs and statutory compensation, paying the outstanding taxes and settling the Company's debts respectively, shall be distributed to the shareholders of the Company in proportion to their shareholding.

During the liquidation period, the Company shall exist, but cannot engage in operating activities that are not related to the liquidation. The assets of the Company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

If the liquidation committee, after examining the assets of the Company and preparing the balance sheet and a list of assets, finds that the assets of the Company is insufficient to satisfy its debts, it shall, in accordance with the law, apply to the People's Court to declare the Company's bankruptcy.

Following a ruling by the people's court that the Company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the bankruptcy administrator appointed by the people's court.

Following the completion of the liquidation of the Company, the liquidation committee shall make a liquidation report, report to the general meeting of or the People's Court for confirmation, and submit it to the company registration authority, apply for cancellation of the company registration.

Liquidation of a company declared bankrupt in accordance with the laws shall be processed in accordance with the laws of corporate bankruptcy.

**AMENDMENT TO THE ARTICLES OF ASSOCIATION**

The Company shall amend the Articles of Association in any of the following cases:

- (1) After the PRC Company Law or relevant laws, administrative regulations, or the regulations of the stock exchange or securities regulatory authority where the Company's securities are listed have been amended, the matters provided for in the Articles of Association are conflict with the provisions of the amended laws administrative regulations, or the regulations of the stock exchange or securities regulatory authority where the Company's securities are listed.
- (2) The circumstances of the Company have changed and are inconsistent with the matters recorded in the Articles of Association.
- (3) The general meeting decides to amend the Articles of Association.

Matters of amendment of the Articles of Association adopted by resolution of the general meeting shall be submitted to the competent authorities for approval; if they involve matters of the Company's registration, the registration of the changes shall be made in accordance with the law.

The Board of Directors shall amend the Articles of Association in accordance with the resolution of the general meeting to amend the Articles of Association and the approval of the relevant competent authorities.

Matters of amendment of the Articles of Association are information required to be disclosed by laws and regulations and shall be announced in accordance with the regulations.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the PRC as a limited liability company on 24 January 2014 with an initial registered capital of RMB1 million. On 8 November 2022, our Company was converted into a joint stock company with limited liability.

The registered address of our Company is Room 401, 4/F. No. 66 Zizhuyuan Road, Haidian District, Beijing, PRC. We have established a place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 January 2023. Ms. Cheung Lai Ha (張麗霞) has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix IV and V to this prospectus, respectively.

**2. Changes in share capital of our Company**

As at the date of our incorporation, our registered capital was RMB1 million, which was fully paid on 23 January 2014. On 8 November 2022, our Company was converted into a joint stock company with limited liability. Our registered capital was RMB100,000,000 divided into 100,000,000 Unlisted Shares with a nominal value of RMB1.0 each.

There has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus. For further details of change in the share capital of our Company, please refer to “History, development and corporate structure” in this prospectus.

Immediately following the completion of the Global Offering but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be increased to RMB133,333,400, comprising 100,000,000 Unlisted Shares, and 33,333,400 H Shares fully paid or credited as fully paid, representing approximately 75.0% and 25.0% of our registered capital, respectively.

**3. Resolutions of the Shareholders of our Company passed on 8 December 2022, 25 August 2023 and 21 December 2024**

At the extraordinary general meetings of our Company held on 8 December 2022, 25 August 2023 and 21 December 2024, among other things, the following resolutions were passed by the Shareholders:

- (a) granting the Underwriters the Over-allotment Option of no more than 15% of the number of H Shares to be issued;
- (b) subject to the completion of the Global Offering, the granting of a general mandate to the Board to allot and issue H Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue as at the Listing Date;
- (c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and
- (d) authorisation of the Board and its authorised persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

**4. Changes in share capital of our subsidiaries**

Our Company's subsidiaries are referred to in the Accountant's Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant's Report and in "History, development and corporate structure" in this prospectus, our Company has no other subsidiaries.

***Zhejiang Saimo***

On 19 April 2019, Zhejiang Saimo was established in the PRC as a limited liability company with registered capital of RMB10 million.

***Zhejiang Fly***

On 13 August 2021, Zhejiang Fly was established in the PRC as a limited liability company with registered capital of RMB13 million.

*Saimo Automotive Testing*

On 16 March 2022, Saimo Automotive Testing was established in the PRC as a limited liability company with registered capital of RMB1 million.

There are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.




**B. FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus and are, or may be, material:

- (a) the cornerstone investment agreement dated 26 December 2024 entered into among our Company, China Mobile International Holdings Limited and CEB International Capital Corporation Limited with respect to a subscription of H Shares at the Offer Price in an aggregate maximum amount of approximately HK\$148.5 million (excluding brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee in respect of such subscription of H Shares); and
- (b) the Hong Kong Underwriting Agreement.

**2. Our intellectual property rights***(a) Trademarks*








- (i) As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC which we consider to be or may be material to the business of our Group:

No	Trademark	Place of registration	Name of registered proprietor	Class	Registration number	Date of registration	Expiry date
1.		PRC	Our Company	38	42131793	7 August 2020	6 August 2030
2.		PRC	Our Company	41	42155339	28 August 2020	27 August 2030
3.		PRC	Our Company	35	42155321	21 October 2020	20 October 2030






No	Trademark	Place of registration	Name of registered proprietor	Class	Registration number	Date of registration	Expiry date
4.	<b>ASIM</b>	PRC	Our Company	35	48749337	7 July 2021	6 July 2031
5.	<b>XiL Pro</b>	PRC	Our Company	38 and 42	53541386	7 September 2021	6 September 2031
6.	<b>浙里飞</b>	PRC	Zhejiang Fly	12	60255785	7 June 2022	6 June 2032
7.	<b>浙里飞</b>	PRC	Zhejiang Fly	42	60257621	28 April 2022	27 April 2032
8.		PRC	Our Company	12, 37 and 42	49489307	21 January 2024	20 January 2034
9.		PRC	Our Company	12	73037641	21 February 2024	20 February 2034
10.		PRC	Our Company	35	73040077	21 February 2024	20 February 2034
11.		PRC	Our Company	38	73043334	21 February 2024	20 February 2034
12.		PRC	Our Company	9	73036562	21 February 2024	20 February 2034
13.		PRC	Our Company	35	73021877	21 February 2024	20 February 2034
14.		PRC	Our Company	38	73031920	21 February 2024	20 February 2034
15.		PRC	Our Company	42	73031994	21 February 2024	20 February 2034
16.		PRC	Our Company	9	73029978	21 February 2024	20 February 2034
17.		PRC	Our Company	12	73027336	21 February 2024	20 February 2034
18.		PRC	Our Company	35	73021866	21 February 2024	20 February 2034
19.		PRC	Our Company	38	73025448	21 February 2024	20 February 2034
20.		PRC	Our Company	42	73031984	21 February 2024	20 February 2034
21.		PRC	Our Company	9	73816031	28 April 2024	27 April 2034
22.		PRC	Our Company	9	73031766	7 May 2024	6 May 2034

- (ii) As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which we consider to be or may be material to the business of our Group:

No	Trademark	Place of registration	Name of registered proprietor	Class	Registration number	Date of registration	Expiry date
1.		Hong Kong	Our Company	12	305854843	11 January 2022	10 January 2032
2.		Hong Kong	Our Company	35	305854834	11 January 2022	10 January 2032
3.		Hong Kong	Our Company	42	305832720	16 December 2021	15 December 2031
4.		Hong Kong	Our Company	41	305832739	16 December 2021	15 December 2031
5.		Hong Kong	Our Company	35	305832748	16 December 2021	15 December 2031
6.		Hong Kong	Our Company	35	305928751	8 April 2022	7 April 2032
7.		Hong Kong	Our Company	41	305928760	8 April 2022	7 April 2032

- (iii) As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in the PRC which we consider to be or may be material to the business of our Group:

No	Trademark	Place of application	Applicant	Class	Application number	Application date
1.		PRC	Our Company	42	73037899	24 July 2023
2.		PRC	Our Company	12	73031795	24 July 2023
3.		PRC	Our Company	9	73031778	24 July 2023

**(b) Patents**

- (i) As at the Latest Practicable Date, our Group had registered the following patents in the PRC which we consider to be or may be material to the business of our Group:

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
1.	A transport testing method and device* (一種交通測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011312147.6	20 November 2020	20 November 2040
2.	A driver model-based test method and device* (一種基於駕駛員模型的測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011312152.7	20 November 2020	20 November 2040
3.	A simulation test method and device for automatic driving vehicle* (一種用於自動駕駛車輛的仿真測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011312154.6	20 November 2020	20 November 2040
4.	A building method and device for autonomous driving testing scenario* (一種自動駕駛測試場景的構建方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011315125.5	20 November 2020	20 November 2040
5.	A method and device for processing simulation operation data* (一種仿真運行數據的處理方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011315135.9	20 November 2020	20 November 2040
6.	An autonomous driving simulation test method and device for scenario database* (一種場景庫的自動駕駛仿真測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011315141.4	20 November 2020	20 November 2040
7.	A road connection processing method and device* (一種道路連貫處理方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011330235.9	24 November 2020	24 November 2040

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
8.	A map drawing method and device for autonomous driving simulation testing* (一種用於自動駕駛仿真測試的地圖繪製方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011328186.5	24 November 2020	24 November 2040
9.	An autonomous driving-based LiDAR point clouds generation method and device* (一種基於無人駕駛的激光點雲生成方法及裝置)	Our Company,	Invention	ZL202011460540.X	11 December 2020	11 December 2040
10.	A lane line generation method and device* (一種車道線生成方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202011485112.2	16 December 2020	16 December 2040
11.	An assessment method and device for non-scenario-based autonomous driving simulation testing* (一種場景無關的無人駕駛仿真測試評估方法及裝置)	Our Company	Invention	ZL202110028045.X	11 January 2021	11 January 2041
12.	A scenario-based autonomous driving simulation test method and device* (一種基於場景的自動駕駛仿真測試方法及裝置)	Our Company	Invention	ZL202110028044.5	11 January 2021	11 January 2041
13.	An assessment method and device for non-scenario-based autonomous driving simulation testing* (一種場景無關的無人駕駛仿真測試評估方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202110489730.2	11 January 2021	11 January 2041

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
14.	A test scenario selection method, device, electronic device and storage medium* (一種測試場景選取方法、裝置、電子設備及存儲介質)	Our Company	Invention	ZL202110816895.6	20 July 2021	20 July 2041
15.	Autonomous driving test scenario determination method and device* (自動駕駛測試場景的確定方法及其裝置)	Our Company	Invention	ZL202110883759.9	3 August 2021	3 August 2041
16.	An autonomous driving test scenario determination method and device* (一種自動駕駛測試場景的確定方法及裝置)	Our Company	Invention	ZL202110883760.1	3 August 2021	3 August 2041
17.	An autonomous driving test scenario determination method, device and electronic device* (一種自動駕駛測試場景的確定方法、裝置及電子設備)	Our Company	Invention	ZL202110883778.1	3 August 2021	3 August 2041
18.	A road curve determination method, device and electronic device* (一種道路曲線確定方法、裝置、電子設備)	Our Company	Invention	ZL202110922087.8	11 August 2021	11 August 2041
19.	Method and device for converting world coordinates to road coordinates for autonomous driving simulation system* (無人駕駛仿真系統的世界坐標與道路坐標轉換方法及裝置)	Our Company	Invention	ZL202110945844.3	18 August 2021	18 August 2041

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
20.	A method and device for calculating the accuracy of an autonomous driving algorithm* (一種自動駕駛算法準確度的計算方法及裝置)	Our Company	Invention	ZL202111023775.7	2 September 2021	2 September 2041
21.	A scenario-based autonomous driving simulation test method and device* (一種基於場景的自動駕駛仿真測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202110458949.6	11 January 2021	11 January 2041
22.	A scenario-based autonomous driving simulation test method and device* (一種基於場景的自動駕駛仿真測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202110459753.9	11 January 2021	11 January 2041
23.	An assessment method and device for non-scenario-based autonomous driving simulation testing* (一種場景無關的無人駕駛仿真測試評估方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202110489657.9	11 January 2021	11 January 2041
24.	A method and device for 3D road rendering by an autonomous driving simulation system* (一種無人駕駛仿真系統對道路進行三維渲染的方法及裝置)	Our Company	Invention	ZL202110947114.7	18 August 2021	18 August 2041

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
25.	A method and device for determining the collision risk of an unmanned aerial vehicle* (一種無人機碰撞風險的確定方法及裝置)	Zhejiang Fly	Invention	ZL202111566613.8	21 December 2021	21 December 2041
26.	An autonomous vehicle driving controlling method, device, equipment and medium* (一種車輛自動駕駛的控制方法、裝置、設備及介質)	Our Company	Invention	ZL202110897494.8	5 August 2021	5 August 2041
27.	A fixed device for ICV performance testing* (一種智能網聯車輛性能測試設備固定裝置)	Our Company	Utility model	ZL202222025482.9	2 August 2022	2 August 2032
28.	An intelligent traffic light device and an ICV cooperative testing system* (一種智能紅綠燈裝置及網聯車路協同測試系統)	Our Company	Utility model	ZL202221690607.3	30 June 2022	30 June 2032
29.	A dummy support device and a test dummy for collision testing* (一種碰撞試驗用假人支撐裝置及試驗假人)	Our Company	Utility model	ZL202221608406.4	23 June 2022	23 June 2032
30.	A GST platform car towing tool* (一種GST平台車拖拽工裝)	Our Company	Utility model	ZL202221600310.3	21 June 2022	21 June 2032
31.	A fixed camera device for ICV testing and an ICV testing vehicle* (一種智能駕駛車輛試驗用相機固定裝置及智能駕駛試驗車)	Our Company	Utility model	ZL202221418908.0	8 June 2022	8 June 2032

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
32.	A crash detection method, device and electronic device for a type of flight path* (一種飛行航線的衝突檢測方法、裝置及電子設備)	Zhejiang Fly	Invention	ZL202210611134.1	1 June 2022	1 June 2042
33.	A landing method and device for unmanned aerial vehicle* (一種無人機降落方法及裝置)	Zhejiang Fly	Invention	ZL202210856129.7	21 July 2022	21 July 2042
34.	A telecommunication base station supporting positioning device and a telecommunication base station* (一種通信基站支撐定位裝置及通信基站)	Our Company	Utility model	ZL202221559443.0	21 June 2022	21 June 2032
35.	A mobile platform transporting device* (一種移動平台搬運裝置)	Our Company	Utility model	ZL202221805634.0	13 July 2022	13 July 2032
36.	Method, device, system, equipment and storage medium for vehicle simulation test* (用於車輛模擬測試的方法、裝置、系統、設備和存儲介質)	Our Company	Invention	ZL202211636211.5	20 December 2022	20 December 2042
37.	Method and device for determining version number* (一種版本號的確定方法及裝置)	Our Company	Invention	ZL202211629241.3	19 December 2022	19 December 2042



No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
38.	A supervision method, device, electronic equipment and storage medium for unmanned aerial vehicle* (一種無人機的監管方法、裝置、電子設備及存儲介質)	Zhejiang Fly	Invention	ZL202111239507.9	25 October 2021	25 October 2041
39.	An air cooling device for vehicle and an intelligent driving test system* (一種車載風冷裝置及智能駕駛測試系統)	Our Company	Utility model	ZL20222371277.4	13 December 2022	13 December 2032
40.	Test scenario determining method, device, electronic device and readable storage medium* (測試場景的確定方法、裝置、電子設備及可讀存儲介質)	Our Company	Invention	ZL202110981375.0	25 August 2021	25 August 2041
41.	Method and device for creating test scenario for autonomous driving vehicle* (無人車的測試場景創建方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202010690369.5	17 July 2020	17 July 2040
42.	Autonomous driving simulation test method and device* (自動駕駛仿真測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202010782508.7	6 August 2020	6 August 2040
43.	A recommended method and device for vehicle defects* (一種車輛缺陷的推薦方法及裝置)	Our Company	Invention	ZL202110981350.0	25 August 2021	25 August 2041

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
44.	A map segmentation method, device, electronic device and storage medium* (一種地圖分割方法、裝置、電子設備及存儲介質)	Our Company	Invention	ZL202310658601.0	6 June 2023	6 June 2043
45.	A driving path determining method and device* (一種駕駛路徑的確定方法及裝置)	Our Company	Invention	ZL202111316981.7	9 November 2021	9 November 2041
46.	A duplex communication API interface management system, method and storage medium* (一種雙工通信的API接口管理系統、方法及存儲介質)	Our Company	Invention	202210950022.9	9 August 2022	9 August 2042
47.	A traffic flow prediction method and device* (一種交通流預測方法及裝置)	Our Company	Invention	202310848702.4	12 July 2023	12 July 2043
48.	A method, device, electronic equipment and storage medium for dot cloud aberration effect reduction* (點雲畸變效果還原方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310913118.2	25 July 2023	25 July 2043
49.	An object classification method, device, electronic equipment and storage medium* (一種物體分類方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310913111.0	25 July 2023	25 July 2043

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
50.	A method and device for determining failure rate in automatic driving simulation tests* (一種自動駕駛仿真測試中失敗概率的確定方法及裝置)	Our Company	Invention	202310927643.X	27 July 2023	27 July 2043
51.	An automatic driving scene consistency comparison method, device and electronic equipment* (一種自動駕駛場景一致性對比方法、裝置及電子設備)	Our Company	Invention	ZL202310987619.5	8 August 2023	8 August 2043
52.	A dummy towing device and vehicle testing system* (一種假人拖拽裝置及車輛測試系統)	Our Company	Utility model	ZL202322195945.0	15 August 2023	15 August 2033
53.	A tool and device for testing the durability of two-directional loading suspension systems* (一種雙向加載懸置系統耐久試驗工裝及試驗裝置)	Our Company	Utility model	ZL202322037355.5	31 July 2023	31 July 2033
54.	A target dummy device for automotive testing* (一種汽車測試用目標假車裝置)	Our Company	Utility model	ZL202321846275.8	13 July 2023	13 July 2033
55.	A weighted dummy moving device* (一種配重假人移動裝置)	Our Company	Utility model	ZL202321729298.0	4 July 2023	4 July 2033

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
56.	A road curve setting method, device, electronic device and storage medium* (一種道路曲線設置方法、裝置、電子設備及存儲介質)	Our Company	Invention	ZL202110950831.5	18 August 2021	18 August 2041
57.	Building method, device, equipment and medium for autonomous vehicle driving testing scenario* (車輛自動駕駛測試場景的構建方法、裝置、設備及介質)	Our Company	Invention	ZL202110895752.9	5 August 2021	5 August 2041
58.	A map description file generation method and device* (一種地圖描述文件的生成方法及裝置)	Our Company	Invention	ZL202110890587.8	4 August 2021	4 August 2041
59.	A method, device, equipment for determining the closest location of an object in autonomous driving simulation* (一種自動駕駛仿真中物體最近點確定方法、裝置及設備)	Our Company	Invention	ZL202311385466.3	25 October 2023	25 October 2043
60.	A path planning method, device, electronic equipment and storage medium* (一種路徑規劃方法、裝置、電子設備及存儲介質)	Our Company	Invention	ZL202311490490.3	10 November 2023	10 November 2043

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
61.	A brake pedal fixing device and testing vehicle* (一種制動踏板固定裝置及測試車輛)	Our Company	Invention	ZL202321848467.2	13 July 2023	13 July 2043
62.	Method, device, electronic device and storage medium for determining vehicle environmental level* (車輛環境等級的確定方法、裝置、電子設備及存儲介質)	Our Company	Utility model	ZL202110931688.5	13 August 2021	13 August 2041
63.	A training method, recognition method and device for vehicle environmental level recognition model* (一種車輛環境等級識別模型的訓練方法、識別方法及裝置)	Our Company	Invention	ZL202110932521.0	13 August 2021	13 August 2041
64.	System simulating the use of skid pavement device and intelligent driving on skid pavements* (模擬用路面保濕裝置及智能駕駛濕滑路面模擬系統)	Our Company	Utility model	ZL202321941212.0	21 July 2023	21 July 2043
65.	A map description file generation method and device* (一種地圖描述文件的生成方法及裝置)	Our Company	Invention	ZL202110887528.5	3 August 2021	3 August 2041

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
66.	Building method, device, readable storage medium for autonomous driving vehicle testing scenario* (自動駕駛車輛測試場景的構建方法、裝置及可讀存儲介質)	Our Company	Invention	ZL202110931697.4	13 August 2021	13 August 2041
67.	A simulation test method and device for autonomous driving algorithm* (一種自動駕駛算法的仿真測試方法及裝置)	Our Company, Zhejiang Saimo	Invention	ZL202010634013.X	2 July 2020	2 July 2040
68.	A path planning method and device* (一種路徑規劃方法及裝置)	Our Company	Invention	ZL202410725795.6	6 June 2024	6 June 2044
69.	An image optimization method, device, electronic equipment and storage medium* (一種圖像的優化方法、裝置、電子設備及存儲介質)	Our Company	Invention	ZL202410756465.3	13 June 2024	13 June 2044
70.	Method and system for constructing traffic flow velocity dense energy spectrum of hybrid automated driving* (混合自動駕駛交通流速密能圖譜構建方法及系統)	Our Company, Beijing Jiaotong University	Invention	ZL202311043411.4	18 August 2023	18 August 2043
71.	A road connection method and device* (一種道路的連接方法及裝置)	Our Company	Invention	ZL202111365915.9	18 November 2021	18 November 2041

No.	Patent title	Name of registered proprietor	Patent category	Patent number	Date of application	Expiry date
72.	A lane line generation method, device, electronic equipment and storage medium* (一種車道線生成方法、裝置、電子設備及存儲介質)	Our Company	Invention	ZL202111506915.6	10 December 2021	10 December 2041
73.	Failure probability estimation method, device and storage medium based on limited generalisation* (基於有限泛化的失敗概率估計方法、裝置及存儲介質)	Our Company	Invention	ZL202410700736.3	31 May 2024	31 May 2044
74.	A kind of counter force tool for driver's seat installation* (一種駕駛位安裝反力工裝)	Our Company	Utility model	ZL202420364448.0	27 February 2024	27 February 2044
75.	A method, device, electronic equipment and storage medium for generating autonomous driving simulation scenarios* (一種自動駕駛仿真場景的生成方法、裝置、電子設備及存儲介質)	Our company	Invention	202411392881.6	8 October 2024	8 October 2044

- (ii) As at the Latest Practicable Date, our Group had applied for the registration of the following patents in the PRC which we consider to be or may be material to the business of our Group:

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
1.	Method, device, electronic device and storage medium for determining road curve between two points* (兩點間道路曲線確定方法、裝置、電子設備及存儲介質)	Our Company	Invention	202110948514.X	18 August 2021
2.	Method, device and electronic device for determining patch vertices position information* (面片頂點的位置信息確定方法、裝置及電子設備)	Our Company	Invention	202111267714.5	29 October 2021
3.	A method, device and storage medium for determining vehicle boundary scenario* (一種車輛邊界場景的確定方法、裝置及存儲介質)	Our Company	Invention	202111281962.5	1 November 2021
4.	A key test scenario determining method, device and electronic device* (一種關鍵測試場景確定方法、裝置及電子設備)	Our Company	Invention	202111399983.7	24 November 2021
5.	A method and device for determining scenario document key information* (一種場景文件關鍵信息的確定方法及裝置)	Our Company	Invention	202111541443.8	16 December 2021



No.	Patent title	Applicant	Patent category	Applicant number	Date of application
6.	A method, device and electronic equipment for determining driving test scenario* (一種駕駛測試場景的確定方法、確定裝置和電子設備)	Our Company	Invention	202111648357.7	30 December 2021
7.	A recommended method, device and electronic device for simulating a scene in autonomous driving* (一種自動駕駛中模擬場景的推薦方法、裝置及電子設備)	Our Company	Invention	202211084198.7	6 September 2022
8.	A method, device, electronic device and storage medium for detecting water depth* (一種積水深度的檢測方法、裝置、電子設備及存儲介質)	Our Company	Invention	202211005736.9	22 August 2022
9.	A method, device, electronic equipment and storage medium for detecting road coordinates of objects* (物體道路坐標的確定方法、裝置、電子設備及存儲介質)	Our Company	Invention	202210979814.9	16 August 2022
10.	An autonomous driving scenario screening method, device, electronic equipment and storage medium* (自動駕駛的場景篩選方法、裝置、電子設備及存儲介質)	Our Company	Invention	202210653109.X	9 June 2022

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
11.	A method and device for determining the accuracy of simulation driving data* (一種仿真駕駛數據的準確性判斷方法及裝置)	Our Company	Invention	202210650861.9	9 June 2022
12.	A method, system, device, equipment and storage medium for calculating spring force* (一種計算彈簧力的方法、系統、裝置、設備和存儲介質)	Our Company	Invention	202211512136.1	29 November 2022
13.	Method, device, system electronic equipment and intelligent vehicles for detecting false alarm* (檢測虛警目標的方法、裝置、系統、電子設備及智能汽車)	Our Company	Invention	202211632133.1	19 December 2022
14.	An occlusion screening method, device and electronic equipment and storage medium* (一種遮擋篩選方法、裝置、電子設備及存儲介質)	Our Company	Invention	202211643074.8	20 December 2022
15.	An automatic parking control method, device and electronic device in autonomous driving* (一種自動駕駛中的自動泊車控制方法、裝置及電子設備)	Our Company	Invention	202310577175.8	22 May 2023
16.	A traverse control method and device for vehicle simulation* (一種仿真車輛的橫向控制方法及裝置)	Our Company	Invention	202310416663.0	18 April 2023

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
17.	A method, device, electronic device and medium for position determination in virtual simulation* (一種虛擬仿真中的位置確定方法、裝置、電子設備及介質)	Our Company	Invention	202310383791.X	11 April 2023
18.	A prediction method and device for testing spatial coverage* (一種測試空間覆蓋度的預測方法及裝置)	Our Company	Invention	202310383508.3	11 April 2023
19.	A data classification method, device, storage medium and electronic device for industrial supply chain* (產業鏈供應鏈數據分類方法、裝置、存儲介質及電子設備)	Our Company	Invention	202310358682.2	6 April 2023
20.	A method, device, equipment and storage medium for delivering automotive industry information* (一種推送汽車產業信息的方法、裝置、設備和存儲介質)	Our Company	Invention	202310363677.0	6 April 2023
21.	A method and device for constructing a product database and querying product data* (一種構建產品數據庫、查詢產品數據的方法及裝置)	Our Company	Invention	202310362405.9	6 April 2023
22.	A method, system, device, equipment, and storage medium for evaluating suppliers* (一種評價供應商的方法、系統、裝置、設備和存儲介質)	Our Company	Invention	202310317794.3	27 March 2023

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
23.	A hysteresis system simulation method, device, electronic device and storage medium* (一種遲滯系統模擬方法、裝置、電子設備、及存儲介質)	Our Company	Invention	202310305714.2	27 March 2023
24.	A method, device, equipment and medium for generating road maps* (一種生成道路地圖的方法、裝置、設備及介質)	Our Company	Invention	202310304212.8	27 March 2023
25.	A method, system, device and electronic equipment for the promotion of products* (一種產品推廣的方法、系統、裝置和電子設備)	Our Company	Invention	202310298286.5	24 March 2023
26.	A method, device, storage medium and electronic device for industrial supply chain risk prediction* (產業供應鏈風險預測的方法、裝置、存儲介質及電子設備)	Our Company	Invention	202310306985.X	24 March 2023
27.	A method, device, electronic device and storage medium for business data transmission* (一種業務數據傳輸方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310296738.6	23 March 2023
28.	A method, device, electronic device and storage medium for resource allocation* (一種資源分配方法、裝置、電子設備、及存儲介質)	Our Company	Invention	202310294790.8	23 March 2023

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
29.	A method, device, electronic device and storage medium for vehicle control* (一種跟車控制方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310182154.6	23 February 2023
30.	A radar data simulation method, device, electronic device and storage medium* (一種雷達數據仿真方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310120723.4	2 February 2023
31.	A method, device, electronic equipment and storage medium for data rendering* (一種數據渲染方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310716578.6	16 June 2023
32.	A method and device for lighting up vehicle lights in a simulated scene* (一種仿真場景的車燈點亮方法及裝置)	Our Company	Invention	202310648305.2	2 June 2023
33.	A method, device, electronic equipment and storage medium for determining lane lines* (一種車道線的確定方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310364268.2	6 April 2023
34.	A method, apparatus, electronic equipment and storage medium for segmented drawing of a fish bone line* (魚骨線的分段繪製方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310594525.1	24 May 2023

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
35.	A calculation method and device for testing spatial coverage* (一種測試空間覆蓋度的計算方法及裝置)	Our Company	Invention	202310382402.1	11 April 2023
36.	A time interval colour block rendering method and device for simulating events* (一種仿真事件的時間區間色塊渲染方法及裝置)	Our Company	Invention	202310664349.4	6 June 2023
37.	A method and device for determining a longitudinal speed reduction marking line* (一種縱向減速標線的確定方法及裝置)	Our Company	Invention	202310593842.1	24 May 2023
38.	A YAML file updating method, device, electronic equipment and storage medium* (一種YAML文件更新方法、裝置、電子設備及存儲介質)	Our Company	Invention	202310547747.8	16 May 2023
39.	A multimode fusion method, device, equipment and medium for automatic driving simulation* (一種自動駕駛仿真中多模態融合方法、裝置、設備及介質)	Our Company	Invention	202310729002.3	19 June 2023
40.	A data-compatible processing method and device for deep learning algorithms* (一種深度學習算法中數據兼容的處理方法及裝置)	Our Company	Invention	202310796568.8	30 June 2023

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
41.	A method, device, equipment and medium for generating test scenarios for autonomous driving simulation* (一種自動駕駛仿真測試場景生成方法、裝置、設備及介質)	Our Company	Invention	202310826147.5	6 July 2023
42.	Method and device for extracting scene function points in highway scenes* (高速公路場景中的場景功能點的提取方法及裝置)	Our Company	Invention	202310934447.5	27 July 2023
43.	Method and device for constructing an automated driving scene library based on the Halton sequence* (基於Halton序列構建自動駕駛場景庫的方法及裝置)	Our Company	Invention	202310966791.2	2 August 2023
44.	A consistency detection method and device for autonomous driving simulation testing* (一種自動駕駛仿真測試的一致性檢測方法及裝置)	Our Company	Invention	202311022675.1	14 August 2023
45.	A method and device for determining sensor failure rates in hazardous accident scenarios* (一種危害事故場景下傳感器故障率的確定方法及裝置)	Our Company	Invention	202311113438.6	31 August 2023
46.	A method and device for converting coordinates of road marking graphics* (一種路標圖形的座標轉換方法及裝置)	Our Company	Invention	202311337369.7	16 October 2023

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
47.	A method, device and equipment for logical scene generation based on a large language model* (一種基於大語言模型的邏輯場景生成方法、裝置及設備)	Our Company	Invention	202311348324.X	18 October 2023
48.	A mesh line rendering method and device based on OPENDRIVE standard* (一種基於OPENDRIVE標準的網狀線渲染方法及裝置)	Our Company	Invention	202311332482.6	13 October 2023
49.	A combined sampling method, device and electronic equipment for simulation scenes* (一種仿真場景的採樣組合方法、裝置及電子設備)	Our Company	Invention	202311490901.9	9 November 2023
50.	A method, device, electronic equipment and storage medium for testing simulation scene* (一種仿真場景的測試方法、裝置、電子設備及存儲介質)	Our Company	Invention	202311490082.8	9 November 2023
51.	A method, device, electronic equipment and medium for scene generalisation in autonomous driving* (一種自動駕駛中的場景泛化方法、裝置、電子設備及介質)	Our Company	Invention	202311558429.8	21 November 2023
52.	A method, device, electronic equipment and medium for generation of logical scene files* (一種邏輯場景文件的生成方法、裝置、電子設備及介質)	Our Company	Invention	202311571991.4	23 November 2023



No.	Patent title	Applicant	Patent category	Applicant number	Date of application
53.	A method and device for calculating aerodynamics parameters of a vehicle* (一種車輛空氣動力學參數的計算方法及裝置)	Our Company	Invention	202311704185.X	12 December 2023
54.	A method, device and electronic equipment for determining the credibility of a simulation scene* (一種仿真場景可信度的確定方法、裝置及電子設備)	Our Company	Invention	202311862605.7	29 December 2023
55.	A method and device for generating intelligent driving scene* (一種智能駕駛場景的生成方法及裝置)	Our Company	Invention	202311862592.3	29 December 2023
56.	A method and device for controlling autonomous driving vehicle at intersection* (一種十字路口處的自動駕駛車輛控制方法及裝置)	Our Company	Invention	202410091887.3	23 January 2024
57.	A method and device for analysing expected functional safety based on artificial intelligence* (一種基於人工智能的預期功能安全分析方法及裝置)	Our Company	Invention	202410243567.5	4 March 2024
58.	A method and device for residual risk assessment of expected functional safety of an autonomous driving system* (一種自動駕駛系統預期功能安全殘餘風險評估方法及裝置)	Our Company	Invention	202410243564.1	4 March 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
59.	A method and system for cloud simulation testing of autonomous driving vehicles* (一種自動駕駛車輛雲量模擬測試方法和系統)	Our Company	Invention	202410243563.7	4 March 2024
60.	Autonomous driving vehicle driver takeover ability confirmation method and autonomous vehicles* (自動駕駛車輛駕駛員接管能力確認方法和自動駕駛車輛)	Our Company	Invention	202410243562.2	4 March 2024
61.	Method and device for generating test cases based on functional safety and expected functional safety* (基於功能安全與預期功能安全的測試案例生成方法及裝置)	Our Company	Invention	202410243561.8	4 March 2024
62.	A method and device for determining failure probability based on adaptive sampling* (一種基於自適應採樣的失敗概率確定方法及裝置)	Our Company	Invention	202410426968.4	10 April 2024
63.	Method, device, storage medium and electronic equipment for evaluating the credibility of simulation testing systems* (評估仿真測試系統可信度的方法、裝置、存儲介質及電子設備)	Our Company	Invention	202410516772.4	28 April 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
64.	A method, device, storage medium and electronic equipment for intelligent driving simulation testing* (一種智能駕駛仿真測試的方法、裝置、存儲介質及電子設備)	Our Company	Invention	202410515676.8	26 April 2024
65.	A virtual scenario database construction method, device, equipment and medium for autonomous driving vehicles* (自動駕駛汽車的虛擬場景庫構建方法、裝置、設備及介質)	Our Company	Invention	202410851823.9	28 June 2024
66.	A duplicate identification correction method, device, electronic equipment and storage medium* (重複身份標識修正方法、裝置、電子設備及存儲介質)	Our Company	Invention	202410890304.3	4 July 2024
67.	A path optimisation method, device, electronic equipment and storage medium* (一種路徑優化方法、裝置、電子設備及存儲介質)	Our Company	Invention	202410898322.6	5 July 2024
68.	An object detection method, device and electronic equipment for autonomous driving simulation testing* (一種自動駕駛仿真測試的物體檢測方法、裝置及電子設備)	Our Company	Invention	202410912927.6	9 July 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
69.	A method and device for generating simulation test scenarios for intelligent connected vehicles* (一種智能網聯車輛模擬仿真測試場景的生成方法及裝置)	Our Company	Invention	202411007172.1	25 July 2024
70.	A method, device, equipment and medium for determining cross-lane collision obstacles* (一種跨車道碰撞障礙物的確定方法、裝置、設備及介質)	Our Company	Invention	202411044097.6	31 July 2024
71.	A method, device, equipment and medium for detecting hazardous behaviour in relation to safety of the intended functionality* (一種預期功能安全危害行為檢測方法、裝置、設備及介質)	Our Company	Invention	202411064974.6	5 August 2024
72.	A vehicle autonomous driving path planning method, device and electronic equipment* (一種車輛自動駕駛路徑規劃方法、裝置及電子設備)	Our Company	Invention	202411099142.8	12 August 2024
73.	A fault detection method, device, electronic equipment and medium for millimetre-wave radar* (一種毫米波雷達的故障檢測方法、裝置、電子設備及介質)	Our Company	Invention	202410587849.7	13 May 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
74.	Selection methods, devices, equipment and media for autonomous driving algorithm simulation verification scenarios* (自動駕駛算法仿真驗證場景的選擇方法、裝置、設備及介質)	Our Company	Invention	202410845562.X	27 June 2024
75.	A traffic light signal timing method, device, electronic equipment and storage medium* (一種交通燈信號的配時方法、裝置、電子設備及存儲介質)	Our Company	Invention	202411397813.9	9 October 2024
76.	A vehicle braking and obstacle avoidance method, device and electronic equipment* (一種車輛的制動避障方法、裝置及電子設備)	Our Company	Invention	202411297126.X	18 September 2024
77.	A method and device for determining failure probability in autonomous driving simulation testing* (一種自動駕駛仿真測試中失敗概率確定方法及裝置)	Our Company	Invention	202411260509.X	10 September 2024
78.	Method, device, equipment and media for establishing safety of the intended functionality trigger scenario databases* (預期功能安全觸發場景庫的建立方法、裝置、設備和介質)	Our Company	Invention	202411334661.8	13 September 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
79.	A method and device for processing scenario parameters in autonomous driving simulation* (一種自動駕駛仿真中場景參數處理方法及裝置)	Our Company	Invention	202411544301.0	31 October 2024
80.	A method and device for estimating failure probability of autonomous driving system* (一種自動駕駛系統失敗概率估計方法及裝置)	Our Company	Invention	202411547403.8	31 October 2024
81.	A method and device for constructing a vehicle autonomous driving behavior evaluation model* (一種車輛自動駕駛行為評估模型的構建方法及裝置)	Our Company	Invention	202411547368.X	31 October 2024
82.	A method and device for determining residual risk acceptance criteria in autonomous driving testing* (一種自動駕駛測試中殘餘風險接受準則的確定方法及裝置)	Our Company	Invention	202411570954.6	6 November 2024
83.	An edge simulation scenario generation method and device for autonomous driving testing* (一種自動駕駛測試的邊緣仿真場景生成方法及裝置)	Our Company	Invention	202411570957.X	6 November 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
84.	A method and device for constructing scenario database and test case set in autonomous driving* (一種自動駕駛中場景庫與測試用例集的構建方法及裝置)	Our Company	Invention	202411578766.8	7 November 2024
85.	A method and device for calculating vehicle tire deflection angle* (一種車輛輪胎偏向角度的計算方法及計算裝置)	Our Company	Invention	202411634970.7	15 November 2024
86.	A path planning method, device, electronic equipment and storage medium* (一種路徑規劃方法、裝置、電子設備及存儲介質)	Our Company	Invention	202411659382.9	20 November 2024
87.	Quantitative assessment method and device for controllability of potential driving hazards* (針對行車潛在危害的可控性的量化評估方法及裝置)	Our Company	Invention	202411675034.0	21 November 2024
88.	A vehicle parking camera occlusion test method and test device* (一種車輛泊車攝像頭的遮擋測試方法及測試裝置)	Our Company	Invention	202411699512.1	26 November 2024
89.	An evaluation method, device, electronic equipment and storage medium for autonomous driving test scene sets* (一種自動駕駛測試場景集的評價方法、裝置、電子設備及存儲介質)	Our Company	Invention	202411711138.2	27 November 2024

No.	Patent title	Applicant	Patent category	Applicant number	Date of application
90.	An evaluation method, device, electronic equipment and storage medium for autonomous driving test scenario sets* (一種泊車車位邊界線的亮度調節方法、裝置、設備及介質)	Our Company	Invention	202411742698.4	27 November 2024
91.	A collision risk quantification method, device, electronic equipment and storage medium* (一種碰撞風險的量化方法、裝置、電子設備及存儲介質)	Our Company	Invention	202411822100.2	11 December 2024
92.	A tire stress simulation method and device* (一種輪胎受力仿真方法及裝置)	Our Company	Invention	202411836714.6	13 December 2024



(c) *Copyrights*

## (i) Software copyrights

(A) As at the Latest Practicable Date, our Group had registered the following software copyrights in the PRC which we consider to be or may be material to the business of our Group:

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
1.	3D Graphic System V2.5* (3D圖形系統V2.5)	Our Company	2019SR0363981	Unpublished	6 February 2023
2.	Scenario Building Platform V1.5* (場景搭建平台V1.5)	Our Company	2019SR0363886	Unpublished	6 February 2023
3.	Vehicle Dynamics Model Production System V3.0* (車輛動力學模型製作系統V3.0)	Our Company	2019SR0363968	Unpublished	6 February 2023
4.	Sensor and Noise Simulation System V3.3* (傳感器和噪音仿真系統V3.3)	Our Company	2019SR0363890	Unpublished	6 February 2023
5.	Fault Insertion Test System V2.0* (故障注入測試系統V2.0)	Our Company	2019SR0364224	Unpublished	6 February 2023
6.	Environmental Condition Configuration Platform V2.0* (環境條件配置平台V2.0)	Our Company	2019SR0364219	Unpublished	6 February 2023
7.	High Definition Map-Based Digital Modelling System V2.2* (基於高精地圖的數位建模系統V2.2)	Our Company	2019SR0364118	Unpublished	6 February 2023
8.	Artificial Intelligence-Based Simulation Test Scenario Generation System V3.0* (基於人工智能的仿真測試場景生成系統V3.0)	Our Company	2019SR0364124	Unpublished	6 February 2023
9.	Traffic Flow Simulation System V4.0* (交通流仿真系統V4.0)	Our Company	2019SR0363960	Unpublished	6 February 2023
10.	Visualisation Platform V2.1* (可視化平台V2.1)	Our Company	2019SR0364212	Unpublished	6 February 2023
11.	Control System Configuration Platform V2.0* (控制系統配置平台V2.0)	Our Company	2019SR0363850	Unpublished	6 February 2023

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
12.	Real-time Simulation Middleware Computing Platform V2.0* (實時仿真中間 件計算平台V2.0)	Our Company	2019SR0363820	Unpublished	6 February 2023
13.	Accident Recovery System V3.0* (事故還原系統V3.0)	Our Company	2019SR0363825	Unpublished	6 February 2023
14.	Wireless Communication Modelling System V3.0* (無線通訊建模系統V3.0)	Our Company	2019SR0363831	Unpublished	6 February 2023
15.	Intelligent Driving System Simulation Test Platform V3.0* (智能駕駛系統模擬仿真 測試平台V3.0)	Our Company	2019SR1276145	Unpublished	6 February 2023
16.	Driving Model Generation and Configuration Platform V2.0* (駕駛模型生成及配置平台 V2.0)	Zhejiang Saimo	2020SR0293706	Unpublished	27 March 2020
17.	Traffic Flow Simulation System V1.0* (交通流仿真系統V1.0)	Zhejiang Saimo	2020SR0293771	Unpublished	27 March 2020
18.	Visual Bench Power Bus System V2.0* (可視台架動力總線系統 V2.0)	Zhejiang Saimo	2020SR0293769	Unpublished	27 March 2020
19.	Simulation Scenario Data Annotation System V1.5* (模 擬仿真場景數據標註系統V1.5)	Zhejiang Saimo	2020SR0401595	Unpublished	30 April 2020
20.	Simulation Scenario Data Acquisition System V1.5* (模 擬仿真場景資料獲取系統V1.5)	Zhejiang Saimo	2020SR0401129	Unpublished	30 April 2020
21.	Simulation Scenario Data Format Conversion System V1.5* (模 擬仿真場景數據格式轉換系統 V1.5)	Zhejiang Saimo	2020SR0401601	Unpublished	30 April 2020
22.	Simulation Scenario Data Integration Processing System V1.5* (模擬仿真場景數據融合 處理系統V1.5)	Zhejiang Saimo	2020SR0398532	Unpublished	29 April 2020
23.	Simulation Scenario Data Cleaning System V1.5* (模擬 仿真場景資料清洗系統V1.5)	Zhejiang Saimo	2020SR0401608	Unpublished	30 April 2020

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
24.	Intelligent Connected Driving Simulation Test Verification Platform (SIM Pro) V1.0* (智能網聯駕駛模擬測試驗證平台(SIM Pro)V1.0)	Our Company	2021SR1313291	Unpublished	6 February 2023
25.	Zhejiang Data Centre System Software V1.0* (浙江數據中心系統軟件V1.0)	Zhejiang Saimo	2021SR1345917	19 August 2021	8 September 2021
26.	Zhejiang Data Centre Application Software V1.0* (浙江數據中心應用軟件V1.0)	Zhejiang Saimo	2021SR1345919	19 August 2021	8 September 2021
27.	ICV Data Management Centre Backstage Software V1.0* (智能網聯汽車數據管理中心後台軟件V1.0)	Our Company, MIIT-EIDC	2021SR1419286	Unpublished	6 February 2023
28.	ICV Territorial Data Centre Display System Software V1.0* (智能網聯汽車屬地數據中心展示系統軟件V1.0)	Our Company, MIIT-EIDC	2021SR1419287	Unpublished	6 February 2023
29.	ICV Territorial Data Centre Backstage Software V1.0* (智能網聯汽車屬地數據中心後台軟件V1.0)	Our Company, MIIT-EIDC	2021SR1419288	Unpublished	6 February 2023
30.	ICV Data Management Centre Display System Software V1.0* (智能網聯汽車數據管理中心展示系統軟件V1.0)	Our Company, MIIT-EIDC	2021SR1419293	Unpublished	6 February 2023
31.	Unmanned Aerial Vehicle Operation Management Service Information Business Management System V1.0* (無人機運行管理服務信息業務管理系統V1.0)	Zhejiang Fly	2021SR1419520	10 August 2021	23 September 2021

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
32.	Vehicle-Road Collaborative Intelligent Driving Simulation Scenario Automatic Generation System V1.0* (車路協同智能駕駛模擬仿真場景自動化生成系統V1.0)	Our Company	2021SR1641355	Unpublished	6 February 2023
33.	Saimo Anticipated Functional Safety Analysis System (Safety Pro) V1.5* (賽目預期功能安全分析系統(簡稱:Safety Pro)V1.5)	Our Company	2021SR2055109	Unpublished	6 February 2023
34.	Unmanned Aerial Vehicle Integrated Application Platform (UAV Application Platform) V1.0* (無人機綜合應用平台(簡稱:無人機應用平台)V1.0)	Zhejiang Fly	2021SR2116102	5 September 2021	23 December 2021
35.	Territorial Data Centre Platform Software (Territorial Platform) V1.0* (屬地數據中心平台軟件(簡稱:屬地平台)V1.0)	Our Company	2022SRE006826	9 October 2021	6 February 2023
36.	A scene editor software (Scenario Editor) V3.0* (場景編輯器軟件(簡稱:Scenario Editor) V3.0)	Our Company	2022SR1562072	Unpublished	6 February 2023
37.	A ICV simulation testing and verification platform (Sim Pro) V2.0* (智能網聯汽車仿真測試驗證平台(簡稱:Sim Pro) V2.0)	Our Company	2022SR1561909	Unpublished	6 February 2023
38.	A simulation engine system (Sim Pro Core) V2.0* (仿真引擎系統(簡稱:Sim Pro Core) V2.0)	Our Company	2022SR1561910	Unpublished	6 February 2023
39.	An urban low altitude airspace management system (An urban low altitude airspace management) V1.0* (城市低空空域管理系統(簡稱:城市低空空域管理)V1.0)	Zhejiang Fly	2022SR1457250	10 July 2022	3 November 2022

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
40.	Supply Chain Collaborative Warning System V1.0* (供應鏈協同預警系統V1.0)	Our Company	2023SR0389169	Unpublished	23 March 2023
41.	Management platform for demand from supply chain of the automotive industry chain V1.0* (汽車產業鏈供應鏈需求管理平台V1.0)	Our Company	2023SR0389115	Unpublished	23 March 2023
42.	Automotive Smart Selection of Long and Short Plate Analysis Platform V1.0* (汽車智慧選型長短板分析平台V1.0)	Our Company	2023SR0389167	Unpublished	23 March 2023
43.	New Energy Automotive Industry Chain Mapping Data Traceability System V1.0* (新能源汽車產業鏈圖譜數據追溯系統V1.0)	Our Company	2023SR0389181	Unpublished	23 March 2023
44.	New Energy Automotive Components and Materials Management Platform V1.0* (新能源汽車零部件及物料供應管理平台V1.0)	Our Company	2023SR0430008	Unpublished	3 April 2023
45.	Supply Chain Collaborative Information Sharing and Matching Platform V1.0* (供應鏈協同信息共享與對接平臺V1.0)	Our Company	2023SR0425000	Unpublished	31 March 2023
46.	New Energy Automotive Intelligent Manufacturing Industry Chain Safety Risk Assessment Platform V1.0* (新能源汽車智能製造產業鏈安全風險評估平臺V1.0)	Our Company	2023SR0425001	Unpublished	31 March 2023
47.	A ICV Value Chain Analysis Platform V1.0* (智能網聯汽車價值鏈分析平臺V1.0)	Our Company	2023SR0416638	Unpublished	30 March 2023
48.	New Energy Automotive Industry Statistical System V1.0* (新能源汽車產業數據統計系統V1.0)	Our Company	2023SR0416639	Unpublished	30 March 2023

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
49.	A ICV Supply Chain Trend Analysis System V1.0* (智能網聯汽車供應鏈態勢分析系統V1.0)	Our Company	2023SR0416642	Unpublished	30 March 2023
50.	Traffic flow system simulation platform [Traffic Pro]V1.0* (交通流系統仿真平台[Traffic Pro]V1.0)	Our Company	2023SR1091896	Unpublished	18 September 2023
51.	Vehicle dynamics platform [VehDyna Pro]V1.0* (車輛動力學平台[VehDyna Pro]V1.0)	Our Company	2023SR1092151	Unpublished	18 September 2023
52.	Space tool platform [SGO Pro]V1.0* (空間工具平台[SGO Pro]V1.0)	Our Company	2023SR1096223	Unpublished	18 September 2023
53.	Intelligent networked vehicle simulation test verification platform [Sim Pro]V3.0* (智能網聯汽車仿真測試驗證平台[Sim Pro]V3.0)	Our Company	2023SR1094249	Unpublished	18 September 2023
54.	Automotive Components and Parts Information Dissemination and Supply-Demand Matching System [Abbreviation: Information Dissemination and Supply-Demand Matching Tool] V1.0* (汽車總成及零部件信息發佈與供需對接系統[簡稱:信息發佈與供需對接工具]V1.0)	Our Company	2023SR1107310	Unpublished	19 September 2023
55.	Automotive Industry Supply Chain Safety Monitoring and Risk Assessment System [Abbreviation: Safety Monitoring and Risk Assessment Tool] V1.0* (汽車產業鏈供應鏈安全監測與風險評估系統[簡稱:安全監測與風險評估工具] V1.0)	Our Company	2023SR1107314	Unpublished	19 September 2023

No.	Software name	Owner of copyright	Registration number	First publication date	Certification date
56.	Data collection and scenario generation system for ICV (SceCo Pro) V1.0* (智能網聯汽車數據採集及場景生成系統 (簡稱:SceCo Pro)V1.0)	Our Company	2024SR0002136	Unpublished	2 January 2024
57.	Territorial data centre platform software (Territorial platform) V2.0* (屬地數據中心平台軟件 (簡稱:屬地平台)V2.0)	Our Company, Zhejiang Saimo	2023SR1472649	Unpublished	20 November 2023
58.	SAIMO Cloud Platform (Cloud Pro) V1.0* (SAIMO雲平台(簡稱:Cloud Pro) V1.0)	Our Company	2024SR0414562	Unpublished	20 March 2024
59.	Vehicle software online upgrade filing system* (汽車軟件在線升級備案系統[簡稱:OTA Pro] V1.0)	Our Company	2024SR0800146	Unpublished	13 June 2024
60.	Intelligent connected vehicle data management enterprise platform* (智能網聯汽車數據管理企業平台 [簡稱:ICVE Pro] V1.0)	Our Company	2024SR1959724	Unpublished	3 December 2024

## (ii) Other copyrights

(A) As at the Latest Practicable Date, our Group had registered the following copyrights in the PRC which we consider to be or may be material to the business of our Group:

No.	Name	Registered owner	Registration number	First publication date	Date of registration
1.	SAIMO	Our Company	2019F00963613	1 December 2014	27 December 2019

*(d) Domain name*

As at the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to the business of our Group:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	saimo.cloud	Our Company	18 June 2021	18 June 2025
2.	saimo.net.cn	Our Company	18 June 2021	18 June 2025
3.	zjsaimo.com	Zhejiang Saimo	14 August 2020	14 August 2025
4.	zhelifei.cn	Zhejiang Fly	18 August 2021	18 August 2025

The contents of the website(s), registered or licensed, do not form part of this prospectus.

Save as disclosed in “B. Further information about our business – 2. Our intellectual property rights” in Appendix VI to this prospectus, there are no other trademarks or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to our Group’s business.

## **C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS**

### **1. Directors and Supervisors**

#### *(a) Disclosure of Interests – Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the interests or short positions of our Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:



Name	Position	Capacity/ Nature of interest	Description of Shares held after the Global Offering	Number of Shares (L) <sup>(1)</sup>	As at the Latest Practicable Date	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
					Approximate percentage of shareholding in the total issued Share capital of our Company	Approximate percentage of shareholding in the Unlisted Shares	Approximate percentage of shareholding in the total issued Shares of our Company
Mr. Hu	Executive Director	Interest in controlled corporations	Unlisted Shares	45,441,187 <sup>(2)</sup>	45.4%	45.4%	34.1%
Mr. He	Executive Director	Interest in controlled corporations	Unlisted Shares	45,441,187 <sup>(2)</sup>	45.4%	45.4%	34.1%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) These Shares are held by Space Technology and Tongda. Space Technology and Tongda entered into the Concert Party Agreement, pursuant to which Tongda has acknowledged and confirmed that it has undertaken, among other things, to unilaterally follow the voting instructions of Space Technology to exercise its voting power and vote unanimously at the shareholders meeting of our Company during the period Tongda being the Shareholder of our Company. Space Technology is owned as to approximately 64.1%, 25.6% and 10.3% by Mr. Hu, Ms. Ma and Mr. He, respectively. Tongda is a limited partnership established in the PRC which serves as the Employee Incentive Platform for implementation of the Employee Incentive Scheme. Tongda is owned as to approximately 50.0% by Mr. Hu, approximately 44.1% by Mr. He, approximately 2.1% by Ms. Ma and the remaining of approximately 3.8% by other 14 employees of our Group (including 0.3% by Ms. Xue Na, our employee representative Supervisor). Each of Mr. Hu, Ms. Ma and Mr. He is our executive Director.

***(b) Particulars of service agreements***

Each of our Directors and Supervisors has entered into a service agreement with our Company. Each service agreement contains provisions in relation to, among other things, compliance with relevant laws and regulations and the Articles of Association.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

*(c) Directors' and Supervisors' remuneration*

During the Track Record Period, the aggregate remuneration (including wages, salaries, bonuses, contributions to pension plans, share-based payment expenses, social security costs, housing benefits, employee benefits and other benefits in kind) paid to our Directors and Supervisors was approximately RMB3.0 million, RMB3.8 million, RMB4.0 million and RMB2.0 million, respectively. For details, please refer to note 10 of the Accountant's Report set out in Appendix I to this prospectus.

Each of our independent non-executive Directors has been appointed for a term of three years. We intend to pay a director's fee of RMB200,000 per annum to each of our independent non-executive Directors. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors and Supervisors for the year ending 31 December 2024 is estimated to be approximately RMB4.2 million.

**2. Substantial Shareholders**

*(a) Interests in the Share of our Company*

Save as disclosed in "Substantial Shareholders" in this prospectus, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, our Directors are not aware of any other person (other than our Directors, Supervisors and chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

*(b) Interests in the substantial Shareholders of other members of our Group*

As at the Latest Practicable Date, so far as our Directors are aware, the following persons (other than us, our Directors, Supervisors and chief executive of our Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group:

<b>Name of member of our Group</b>	<b>Name of Shareholder</b>	<b>Approximate percentage of shareholding</b>
Zhejiang Fly	Hangzhou Technology Innovation Incubator Co., Ltd.* (杭州科創孵化器有限公司)	49.0%
Saimo Automotive Testing	Beijing Jinyi New Energy Technology Co., Ltd.* (北京進益新能源科技有限公司)	20.0%

**3. Disclaimers**

- (a) Save as disclosed in “C. Further information about our Directors, Supervisors and substantial Shareholders – 1. Directors and Supervisors” in this appendix, none of our Directors, Supervisors or chief executive of our Company has any interests or short position in our Shares, underlying shares or debenture of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our H Shares are listed, and for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- (b) Save as disclosed in “C. Further information about our Directors, Supervisors and substantial Shareholders – 1. Directors and Supervisors” in this appendix and in connection with the Underwriting Agreements, none of our Directors, Supervisors or experts referred to under “E. Other information – 8. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) None of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) None of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) Save as disclosed in “C. Further information about our Directors, Supervisors and substantial Shareholders” in this appendix, taking no account of Shares which may be taken up under the Global Offering, none of our Directors or Supervisors knows of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (f) None of the experts referred to under “E. Other information – 8. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) So far as is known to our Directors as at the Latest Practicable Date, none of our Directors or Supervisors or their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or the top five suppliers of our Group.

**D. EMPLOYEE INCENTIVE SCHEME**

We have adopted an Employee Incentive Scheme by a resolution of our Shareholders on 15 December 2020 which was further amended by resolutions of our Shareholders on 9 May 2022 and 8 December 2022. The Employee Incentive Scheme was terminated pursuant to a resolution of our Shareholders on 25 August 2023, upon which, no further awards under the scheme will be granted but the provisions of the Employee Incentive Scheme shall remain in full force and effect in respects of the management of, as well as rights and obligations of the awards granted before the termination of the scheme. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Scheme does not involve the grant of new Shares or options by our Company after the Listing, nor is the Scheme funded by existing Shares of our Company.

Tongda, a limited partnership, was established as our Employee Incentive Platform in the PRC. As at the Latest Practicable Date, 15,271,805 Unlisted Shares were held by Tongda, representing approximately 15.3% of our total issued share capital immediately before the completion of the Global Offering and 11.5% of our total issued share capital immediately upon completion of the Global Offering assuming the Over-allotment Option is not exercised.

As at the Latest Practicable Date, the executive partner of Tongda is Mr. Hu, who has all management powers and voting rights of the Employee Incentive Platform. Participants of the Employee Incentive Scheme (the “**Participants**”) do not have any voting rights in our Company. The voting rights in our Company of the Employee Incentive Platform shall be exercised by Mr. Hu, its executive partner pursuant to the partnership agreement, and the Employee Incentive Platform shall unilaterally follow the voting instructions of Space Technology pursuant to the Concert Party Agreement. For further details of the Employee Incentive Platform, please refer to “History, development and corporate structure – Our corporate history and development – Employee Incentive Scheme” in this prospectus.

**(a) Purpose**

The Employee Incentive Scheme was established to recognise the contribution from our senior management members and core employees and to incentivise them, as well as attract and motivate talents to further promote the long-term development of our Group.

**(b) Grant of Awards**

The Participants are granted limited partnership interests (the “**Award**”) in the Employee Incentive Platform and are each a limited partner of the Employee Incentive Platform upon grant of the Award. Upon becoming the limited partner of the Employee Incentive Platform, the Participant indirectly receives economic interest in the pro rata portion of the underlying Shares held by the Employee Incentive Platform.

**(c) Administration of the Employee Incentive Scheme**

The Employee Incentive Scheme is subject to approval of the Board and the Shareholders. The Board retains full discretion over the following matters of the Employee Incentive Scheme:

- (i) the selection of Participants in the Employee Incentive Scheme; and
- (ii) the implementation, amendment and termination of the Employee Incentive Scheme.

**(d) Lock-up and limited transferability**

The Participant shall not transfer his or her interest in the Employee Incentive Platform within 36 months following the Listing Date and during the lock-up period as stipulated by applicable laws and regulations and as determined by the SFC and Stock Exchange (the “**Lock-up Period**”).

Upon the expiry of the Lock-up Period, the Participant may withdraw from the limited partnership and dispose of his or her indirect interest in our Company through the Employee Incentive Platform (the “**Post-lock-up Disposal**”). The exit price to be received by the Participant equals to the amount of the total amount to be received by the Employee Incentive Platform arising out of the disposal deducting the amount of compensation for any losses caused by the Participant to Tongda.

Except for circumstances specified under the terms of the Employee Incentive Scheme, no Participant shall in any way dispose of, transfer, pledge his or her partnership interest under the Employee Incentive Scheme.

**(e) Return of granted Awards**

Under the following circumstances, the Awards granted to a Participant under the Employee Incentive Scheme shall be returned to an entity designated by the Board at the total consideration of RMB1.0:

- (i) the Participant resigns or ceases to work for our Group without misconduct on the part of the Participant within 36 months following the Listing Date for reasons including but not limited to the following:
  - the Participant and our Group mutually agree to terminate the employment relationship;
  - the Participant loses his or her earning capacity;
  - disability of the Participant;

- retirement of the Participant; and
  - the Participant was laid off by our Group for economic reasons;
- (ii) the Participant ceases to work for our Group without approval or is dismissed by our Group for misconducts including but not limited to the following:
- the Participant's material breach of the employment contract or other rules set by our Group;
  - the Participant's material violation of any laws, regulations or the Articles of Association of our Group;
  - the Participant is subject to criminal penalties;
  - the Participant engages in business that competes with our Group, taking advantage of his position in our Group or engages in other acts of unfaithfulness to our Group; and
  - the Participant's negligence or malpractice resulting in material adverse impact to our Group;
- (iii) occurrence of circumstances under which the Participant is prohibited from acting as a director or member of the senior management of our Company according to the PRC Company Law;
- (iv) the Participant has been denounced publicly, announced as an inappropriate candidate, punished or banned from the securities markets by a securities regulatory authority and its agency or a stock exchange; and
- (v) the Participant is not or no longer qualified to own the partnership interest under the Employee Incentive Scheme, or is not or no longer qualified for the position in our Group according to the laws and regulations.

In the event that the Participant is dead or is announced dead in accordance with the laws, the Participant shall withdraw from the limited partnership and Tongda will conduct withdrawal settlement with any relevant payment to be inherited by the deceased Participant's successor.

**(f) Withdrawal from the limited partnership and settlement**

Where the Participant withdraws from the limited partnership, withdrawal settlement shall be made as follows:

- (i) Where the Participant withdraws from the limited partnership before the expiry of the Lock-up Period, the withdrawal settlement made by Tongda shall be the amount equals to the consideration paid by the Participant at the time he or she was admitted into the limited partnership (i.e. RMB1.0) after deducting the amount of compensation for any losses caused by the Participant to Tongda. If the settlement mechanism is deemed invalid under the relevant laws and regulations, our Company may conduct the settlement in either of the following ways:
  - our Company will adopt a settlement mechanism which is recognised by the applicable laws, and settlement which is recognised by a binding court judgement or an arbitration award at the relevant time shall be regarded as a settlement recognised by the applicable law; or
  - the amount of settlement payment will be the share of Tongda's net assets value corresponding to the Participant's Awards at the end of the previous year after deducting the amount of compensation for any losses caused by the Participant to Tongda.
- (ii) Where the Participant withdraws from the limited partnership after the expiry of the Lock-up Period, the amount to be received by the Participant from the Post-lock-up Disposal as mentioned above shall be reduced by deducting the amount of compensation for any losses caused by the Participant to Tongda on the basis of the property status of Tongda at the time of the Participant's withdrawal.

Before expiry of the Lock-up Period, where the Participant withdraws from the limited partnership, the limited partnership interest shall be transferred to an entity designated by our Company in order to avoid any change in the partnership interests held by other Participants.

**(g) Details of the Awards granted**

As at the Latest Practicable Date, an aggregate amount of approximately 9.5% of the partnership interest in Tongda, representing an aggregate number of approximately 1,456,000 Shares underlying the Awards has been granted to a total of 16 Participants, representing approximately 1.5% of our Company's total issued share capital immediately prior to the Global Offering.



Other material information of the Awards granted pursuant to the Employee Incentive Scheme as at the Latest Practical Date are set out below:

- (i) Details of the Awards granted to Directors, Supervisors, senior management members and connected persons of our Company:

Grantee	Roles with our Company	Approximate partnership interest in Tongda underlying the Awards (%)	Approximate number of Shares underlying the Awards held by the Employee Incentive Platform <sup>(Note 2)</sup>	Approximate shareholding percentage underlying the Awards in the total issued Shares immediately prior to the Global Offering <sup>(Note 2)</sup> (%)
Ms. Ma	Executive Director and deputy general manager of our Company	2.1	321,000	0.3
Mr. He <sup>(Note 3)</sup>	Executive Director, board secretary and general manager of our Company	3.1	481,000	0.5
Ms. Xue Na	Employee representative Supervisor of our Company, supervisors of Zhejiang Saimo and Saimo Automotive Testing	0.3	40,000	0.0
Mr. Yang Qiang	Deputy general manager of our Company	0.6	88,000	0.1
Ms. Liang Jun	Chief Financial Officer of our Company and director of Zhejiang Fly	0.5	80,000	0.1
Dr. Xue Xiaoping	Director of forward-looking division of our Company	0.5	72,000	0.1

*Notes:*

- (1) As at the Latest Practicable Date, Mr. Hu was not a grantee under the Employee Incentive Scheme and was interested in approximately 50.0% of the partnership interests in Tongda.
- (2) For illustration purpose only.
- (3) As at the Latest Practicable Date, Mr. He was interested in approximately 44.1% of Tongda's partnership interests, among which, approximately 3.1% of the partnership interests were Awards granted to him.

- (ii) Our Company also granted Awards to other 10 grantees, the underlying Shares of which represent approximately 0.3% of our Company's total issued share capital immediately prior to the Global Offering.

**E. OTHER INFORMATION****1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

**2. Indemnities**

On 26 December 2024, our Controlling Shareholders entered into the Deed of Indemnity in favour of our Company (for ourselves and for each of our subsidiaries), pursuant to which our Controlling Shareholders agreed and undertook with our Company, subject to the terms of the Deed of Indemnity, to indemnify and keep our Group indemnified on a joint and several basis against any and all tax liabilities falling on any member of our Group which might be payable by us in respect of, among others, any incomes, profits or gains earned, accrued or received prior to the completion of the Global Offering, save in the following circumstances:

- (a) to the extent that provision has been made for such taxation in any audited accounts of any member of our Group for any period up to 30 June 2024; or
- (b) to the extent that such taxation or liability falling on any member of our Group in respect of its accounting period commencing from 30 June 2024 unless liability for such taxation would not have arisen but for some act or omission of or transaction voluntarily effected by any of such members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of our Controlling Shareholders, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or as part of an acquisition and disposition of capital assets conducted in the ordinary course of business after 30 June 2024; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2024 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation arises or is incurred as a result of a retrospective change in laws or interpretation and practice by the SAT or other relevant authority or a retrospective increase of tax rates coming into force after the date on which the Global Offering becomes unconditional; or
- (d) to the extent that any provisions or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2024 which is finally established to be an over-provision or an excessive reserve in which case our Controlling Shareholders' liability (if any) in respect of such taxation shall be reduced by an

amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (d) to reduce our Controlling Shareholders' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, our Controlling Shareholders also agreed and undertook to indemnify and keep our Group indemnified against any costs, expenses, claims, liabilities, penalties, losses and damages that our Group may suffer due to the non-compliance with the relevant PRC laws in respect of our leased properties as described in "Business – Properties – Failure to complete lease registration" and "Business – Properties – Defective leased property interests and other non-compliance of our leased properties" in this prospectus prior to the completion of the Global Offering.

### **3. Litigation**

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

### **4. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus (including any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

The total sponsor's fee paid and payable to the Sole Sponsor is HK\$6.0 million.

### **5. Preliminary expenses**

As at the Latest Practicable Date, our Company had not incurred any preliminary expenses.

### **6. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**7. Taxation of holders of H Shares****(a) Hong Kong**

The sale, purchase and transfer of H Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.10% of the consideration or, if higher, of the fair value of the H Shares being sold or transferred (i.e. a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Profits from dealings in the H Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

**(b) Consultation with professional advisers**

Intending holders of the H Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares or exercise of any rights attaching to them.

**8. Qualifications of experts**

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
CEB International Capital Corporation Limited	A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Zhong Lun Law Firm	Legal advisers to our Company as to PRC laws
King & Wood Mallesons	Legal advisers to our Company as to International Sanctions Laws

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

## **9. Consents of experts**

Each of the experts named in “E. Other information – 8. Qualifications of experts” in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

## **10. Interests of experts in our Company**

None of the persons named in “E. Other information – 8. Qualifications of experts” in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

## **11. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## **12. Miscellaneous**

- (a) Within the two years immediately preceding the date of this prospectus:
  - (i) save as disclosed in “History, development and corporate structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) save as disclosed in “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or capital of our Company or any of our subsidiaries; and
- (iv) no commission has been paid or payable for subscribing, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in or debentures of our Company or any of our subsidiaries;
- (b) save as disclosed in “Financial information – Indebtedness” in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2024 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) all necessary arrangements have been made to enable the H Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) none of our equity and debt securities is presently listed on any stock exchange or traded on any trading system and no such listing or permission to list is being or is proposed to be sought;
- (h) our Company has no outstanding convertible debt securities or debentures;
- (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

**13. Restrictions on share repurchase**

For details of the restrictions on share repurchases by our Company, please refer to “Increase, decrease and repurchase of Shares – (3) Repurchase of Shares” in Appendix V to this prospectus.

**14. Bilingual prospectus**

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “E. Other information – 9. Consents of experts” in Appendix VI to this prospectus; and
- (b) a copy of each of the material contracts referred to in “B. Further information about our the business – 1. Summary of material contracts” in Appendix VI to this prospectus.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.saimo.cloud](http://www.saimo.cloud) up to and including the date which is 14 days from the date of this prospectus:

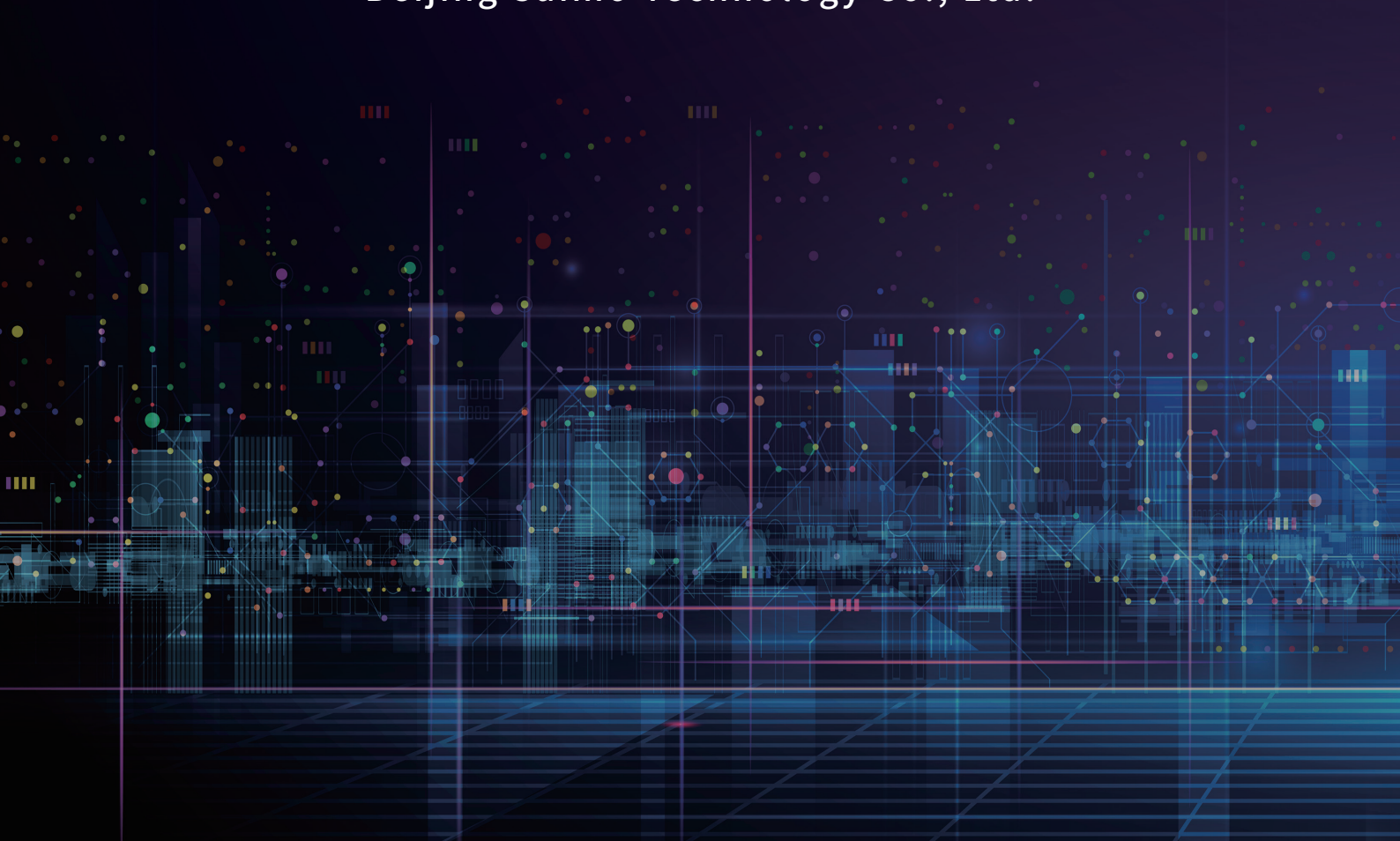
- (a) the Articles of Association;
- (b) the Accountant’s Report prepared by PwC, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by PwC, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the three financial years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024;
- (e) the PRC legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisers in respect of, among others, certain aspects of our Group in the PRC;
- (f) the legal due diligence report issued by King & Wood Mallesons, our legal advisers to International Sanctions Laws;
- (g) the F&S Report, the summary of which is set forth in “Industry overview” in this prospectus;
- (h) a copy of the following PRC laws, together with unofficial English translations:
  - (i) the PRC Company Law;
  - (ii) the PRC Securities Law; and
  - (iii) Overseas Listing Trial Measures;



- (i) the material contract referred to in “B. Further information about our business – 1. Summary of material contract” in Appendix VI to this prospectus;
- (j) the service contracts and the letters of appointment referred to in “C. Further information about our Directors, Supervisors and substantial Shareholders” in Appendix VI to this prospectus; and
- (k) the written consents referred to in “E. Other information – 9. Consents of experts” in Appendix VI to this prospectus.



北京賽目科技股份有限公司  
Beijing Saimo Technology Co., Ltd.



31 December, 2024

**To:**

The Board of Directors  
**Beijing Saimo Technology Co., Ltd.**  
Rooms 301, 304, 305, 306, 307 and 308  
Zhongguancun International Innovation Building  
No. 67 North Fourth Ring West Road  
Haidian District  
Beijing  
PRC

**CC:**

**CEB International Capital Corporation Limited**  
34/F - 35/F, Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

**Consent to the issue of the prospectus of Beijing Saimo Technology Co., Ltd. (北京赛目科技股份有限公司) (the “Company”) in connection with the proposed global offering and listing of the H shares of the Company**

We refer to the prospectus dated *31 December*, 2024 in connection with the Company’s proposed global offering and listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Prospectus**”).

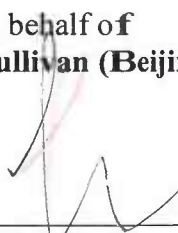
We hereby give our consent, and confirm that we have not withdrawn our written consent, to the issue of the Prospectus, with the inclusion therein of, our industry report and all references to, our name, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

In this context, we hereby consent to you releasing this letter to the Registrar of Companies in Hong Kong and The Stock Exchange of Hong Kong Limited and referring to it in the Prospectus.

We also consent to this letter and our industry report being made available on display as described in “Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display” to the Prospectus.

Yours faithfully,

For and on behalf of  
**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**



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Name: Charles Lau

Title: Executive Director